

**REPORT OF
THE UNITED STATES OLYMPIC COMMITTEE
GOVERNANCE AND ETHICS TASK FORCE**

Co-Chairs:

Frank Marshall
William Stapleton

Outside Experts:

John Carver
George Cohen
Mal Wakin

Members:

Gwendolyn Baker
Robert Balk
Fraser Bullock
Christopher Duplanty
Gordon Gund
James McCarthy
Cameron Myler
Lisa Voight

Issued June 20, 2003

TABLE OF CONTENTS

	GLOSSARY	iv
I.	INTRODUCTION	1
II.	EXECUTIVE SUMMARY.....	1
	A. Mission.....	1
	B. Governance	5
	C. Ethics	10
	D. Other Policies	12
III.	BACKGROUND	14
	A. Purpose and Charge of Task Force.....	14
	B. Membership and Resources of the Task Force.....	16
	C. The Process Undertaken by the Task Force	17
IV.	TASK FORCE RECOMMENDATIONS.....	19
	A. USOC Mission	19
	1. Overview	22
	2. Modifications in the Act and the Mission Statement.....	29
	B. GOVERNANCE.....	39
	1. Background and Basic Concepts of Governance	45
	2. The Creation of an Effective Olympic Assembly	49
	3. Need to Eliminate Constituent-Based Governance and Replace It With An Independent Board	56
	4. Function and Membership of the USOC Board of Directors.....	62
	5. Director Independence	66
	6. Process for Selecting Members of the Initial Board – The Nominating and Governance Committee.....	68

7.	Subsequent Membership of the USOC Nominating and Governance Committee	71
8.	The Corporate Officer	72
9.	Recommended Terms of Office for the Board Members.....	72
10.	Role of the Olympic NGBs and the Athletes Advisory Council in Questions Related to the Olympic Games	74
11.	USOC Committees.....	75
12.	Management	79
13.	Board Meetings.....	81
14.	Director Access to Management and Outside Advisors	81
15.	Communications with the Board	82
16.	Director Orientation & Continuing Education.....	82
17.	Board Performance Evaluations	82
18.	Removal of Members of the Board or Committees.....	83
19.	Compensation Committee/Management Evaluation & Succession	84
20.	Need for Increased USOC Oversight and Supervision of Performance of National Governing Bodies	85
21.	International Relations	86
22.	The Cost Effect of These Changes	87
23.	The Transition	87
C.	ETHICS	89
1.	Background	91
2.	Recommendations.....	91
3.	The Ethics Officer	95
4.	The Ethics Committee	97

5.	Ethical Conduct of the Business of the Board and Management	98
6.	Ethical Behavior by NGBs	99
D.	OTHER POLICIES.....	100
1.	Protection of Confidential and Proprietary Information	101
2.	Transparency	104
3.	Communications	105
V.	CONCLUSION.....	106

APPENDICES

APPENDIX I	Information Concerning the Members of the USOC Governance and Ethics Task Force
APPENDIX II	Powerpoint Presentation of Initial Recommendations of the USOC Governance and Ethics Task Force (as revised) presented to the USOC Board of Directors in Fort Worth, Texas on Sunday, April 13, 2003
APPENDIX III	Proposed Amendments to the Ted Stevens Olympic and Amateur Sports Act
APPENDIX IV:	Proposed USOC Code of Ethics
APPENDIX V:	Proposed USOC Gift Disclosure Form
APPENDIX VI:	Proposed Conflict Disclosure Form

GLOSSARY OF TERMS

The large number of organizations within the Olympic Movement, and the relatively lengthy names they have, lead to a collection of acronyms in any description of their activities. To assist the reader, the following is a glossary of organizations, with their acronyms, included in this Report.

AAC	-Athletes' Advisory Council
Act	- Ted Stevens Olympic and Amateur Sports Act, 36 U.S.C. § 220501, <i>et seq.</i>
ANOC	-Association of National Olympic Committees
CBO	-Community-Based Multisport Organizations
Commission	-Independent Review Commission
EBO	-Education-Based Organizations
IF	-International Federations
IOC	-International Olympic Committee
IPC	-International Paralympic Committee
NGB	-National Governing Body
NOC	-National Olympic Committee
OCOG	-Organizing Committee of the Olympic Games
PASO	-Pan American Sport Organization
PSO	-Paralympic Sports Organization
Task Force	-USOC Governance and Ethics Task Force
USOC	-United States Olympic Committee

I. INTRODUCTION

In 2002 and early 2003 the United States Olympic Committee (“USOC”) had a public crisis of governance and ethical behavior. The crisis led to intense public scrutiny, congressional hearings by committees of both the House and Senate, and a call for increased Congressional oversight. The USOC Executive Committee solved the immediate problems and faced the question of what steps should be taken to solve the core issues. Acting USOC President William Martin and the Executive Committee acted without hesitation. They identified fundamental issues concerning the purpose, structure, policies, and operations of the USOC and President Martin commissioned the USOC Governance and Ethics Task Force (“Task Force”) to study the situation and recommend immediate, decisive action to change the culture of the organization and improve its performance.

The charge to the Task Force was extremely broad. The work to be done was substantial, and the time frame in which to do it was very short. However, almost as soon as the work commenced, the path to progress was clear. The Mission and purposes of the organization needed to be focused. The organization needed to reestablish its focus on helping United States athletes. The entire governance structure of the organization needed to be completely overhauled. The culture of the organization and the expectations of those involved in the organization needed to be altered dramatically. At the same time, the talent and resources of the organization, including the hundreds of volunteers who have contributed so much to the Olympic movement and the involvement of the many disparate organizations that have been part of the Olympic family in the United States all needed to be preserved and employed in ways that will increase their contribution to the results achieved by the organization.

The Task Force issued preliminary “top line” recommendations, received overwhelming support from the entire USOC Board, received and reviewed reaction and ideas from many interested and involved in the Olympic movement, and continued working on the recommendations and the details necessary to implement them. This report is the result of that intensive effort.

The Task Force recommends a complete overhaul of the structure of the USOC. In some ways these recommendations are similar to recommendations that have been made in the past but never followed, and in some ways these recommendations are very different. Most important, the organization has never before had the strength, vision, and commitment to change now manifest throughout the Olympic family. In the view of the Task Force, these changes are essential and must be implemented immediately and decisively.

II. EXECUTIVE SUMMARY

INTRODUCTION

The USOC has been given responsibility by the United States Congress and the American people for, among other things, the participation of United States athletes in the Olympic Games and efforts by the United States cities to serve as the host of the Olympic Games. With that responsibility comes a public trust, an obligation of superior performance in three areas that are the primary focus of the Task Force report. First, the USOC has an obligation to have a clear focus on the purpose and Mission of the organization – precisely what it is that the USOC is seeking to accomplish. Second, the USOC has an obligation to maintain a proper governance structure, with clear lines of authority and responsibility, and a system of accountability to assess the performance of those with that authority. Third, the honesty, integrity, and ethics of the organization and its leadership must be beyond question, achieving the highest standards in all of those areas.

In fact, the USOC has underperformed in all three areas. The Mission of the USOC is unclear, as the organization has been called upon to be all things for all people and for all amateur sports organizations in the United States. The governance structure of the USOC is confused, as a 124-member Board and 23 committees all try to govern the organization. To be an organization that properly serves the public trust and serves the Olympic ideals, the USOC's performance in all three areas must be superior.

William Martin, Acting President of the USOC, created the Governance and Ethics Task Force (the "Task Force") to investigate, address, and make recommendations regarding several key areas of the USOC—its Mission, its governance structure, its ethics policies, and its policies concerning communications, transparency and public reporting, and safeguarding of confidential information. In carrying out its charge, the Task Force reviewed a tremendous amount of background materials, including corporate governance best practices, ethics policies and procedures, the USOC Constitution and Bylaws, the Ted Stevens Olympic and Amateur Sports Act, 36 U.S.C. § 220501, *et seq.*, the International Olympic Committee *Olympic Charter*, other National Olympic Committee structures, various expert reports from other groups that examined the USOC, recent Congressional testimony, and prior governance commission feedback. As described in more detail below, the Task Force held several daylong meetings and analyzed the resources, materials, and other submissions described above. The Task Force presented its initial recommendations to the Executive Committee and the Board in Fort Worth, Texas from April 11-13, 2003. After considering reactions, criticisms, feedback, and input from the Executive Committee, members of the Board, other members of the Olympic family and the general public, the Task Force issues the following conclusions and recommendations.

RECOMMENDATIONS

A. Mission

There is a consensus that the mission of an organization helps define the structure of that organization. There was substantial evidence that the lack of clarity of the USOC's Mission or

purpose has been an obstacle to the successful operation of the USOC. Charged by Congress and others with too many purposes beyond helping United States athletes, the USOC has been plagued by too many sports organizations competing for the limited support and resources of the USOC, asking the organization to be all things for all people involved in any way in amateur athletics in the United States. The Task Force thus determined that modifying the Mission of the USOC is a vital step in reforming the USOC.

Modifications in the Act and the Mission Statement

The Task Force recommends that the following be the Mission statement of the USOC:

Help U.S. Olympic and Paralympic athletes achieve sustained competitive excellence and preserve the Olympic ideals, and thereby inspire all Americans.

Moreover, in order to more properly focus the USOC's Mission, the Task Force recommends eliminating all parts of the Mission that do not further the core goal of helping U.S. Olympic and Paralympic athletes achieve sustained competitive excellence. Similarly, the Task Force recommends modifying the purposes of the USOC specified in 36 U.S.C. § 220503 to eliminate any purposes that do not further the goals contained within the new USOC Mission statement. Additionally, all remaining purposes in 36 U.S.C. § 220503 should be interpreted in a manner that is consistent with the USOC Mission.

It is the recommendation of the Task Force that the purposes of the USOC specified in 36 U.S.C. § 220503 should be modified to read as follows:

The purposes of the corporation are—

~~(1) to establish national goals for amateur athletic activities and encourage the attainment of those goals;~~

~~(2) to coordinate and develop amateur athletic activity in the United States, directly related to international amateur athletic competition, to foster productive working relationships among sports-related organizations;~~

~~(3) to exercise exclusive jurisdiction, directly or through constituent members or committees, over—~~

~~(A) all matters pertaining to United States participation in the Olympic Games, the Paralympic Games, and the Pan-American Games, including representation of the United States in the games; and~~

~~(B) the organization of the Olympic Games, the Paralympic Games, and the Pan-American Games when held in the United States;~~

(42) to obtain for the United States, directly or by delegation to the appropriate national governing body or paralympic sports organization, the most competent amateur representation possible in each event of the Olympic Games, the Paralympic Games, and Pan-American Games;

~~(5) to promote and support amateur athletic activities involving the United States and foreign nations;~~

~~(6) to promote and encourage physical fitness and public participation in amateur athletic activities;~~

~~(7) to assist organizations and persons concerned with sports in the development of amateur athletic programs for amateur athletes;~~

(83) to provide swift resolution of conflicts and disputes involving amateur athletes, national governing bodies, paralympic sports organizations, and amateur sports organizations, and protect the opportunity of any amateur athlete, coach, trainer, manager, administrator, or official to participate in amateur athletic competition;

~~(9) to foster the development of amateur athletic facilities for use by amateur athletes and assist in making existing amateur athletic facilities available for use by amateur athletes;~~

~~(10) to provide and coordinate technical information on physical training, equipment design, coaching, and performance analysis;~~

~~(11) to encourage and support research, development, and dissemination of information in the areas of sports medicine and sports safety;~~

~~(124) to encourage and provide assistance to amateur athletic activities for women;~~

(5) to encourage and provide assistance to amateur athletic programs and competition for amateur athletes with disabilities, including, where feasible, the expansion of opportunities for meaningful participation by such amateur athletes in programs of athletic competition for able-bodied amateur athletes; and

~~(136)~~ to encourage and provide assistance to amateur athletes of racial and ethnic minorities for the purpose of eliciting the participation of those minorities in amateur athletic activities in which they are underrepresented

Specific Reference to Paralympic Athletes

The inclusion of a reference to Paralympic athletes in the Mission does not suggest that there should be equal funding of Olympic and Paralympic sports or equal funding among Olympic sports or Paralympic sports. Olympic sports should remain the primary focus of the USOC. A separate national Paralympic committee for the United States, however, could not generate enough revenue to be self-sustaining in the long run. The USOC should be proud that it is the only national Olympic committee that has taken on the responsibility of serving as a national Paralympic committee and helping Paralympic athletes should be considered part of the Mission of the USOC.

Absence of a Specific Reference to Pan American Games in the Mission Statement

The Task Force notes that the Pan American Games remain a very important part of international athletics, and does not recommend that the USOC's responsibilities with respect to the Pan American Games should be altered. Consistent with focusing on the USOC's stated Mission, however, helping United States athletes achieve sustained competitive excellence in the Olympic and Paralympic Games takes precedence over all other competitions, including the Pan American Games.

Preservation of the Olympic Ideals and Inspiring all Americans

The Task Force also recommends that the primary ways in which the USOC should inspire all Americans are not by creating or overseeing separate programs, but rather by public awareness of the stories, accomplishments, and performances of Olympians and Paralympians in athletic competition and by public awareness that the USOC and United States athletes conduct themselves in accordance with Olympic ideals.

Key Implementation Elements by Which the USOC Achieves its Mission

The Task Force believes that the USOC should focus on several key implementation elements—the primary ways in which the USOC should seek to achieve its Mission. The USOC should partner with and provide select resources and services to the National Governing Bodies and Paralympic Sports Organizations to obtain for the United States the most competent representation in each event of the Olympic and Paralympic Games. The USOC must enhance and protect the Olympic brand and the overall perception of the Olympic movement in the United States to promote the long-term financial success of the USOC and generate revenues to support the Olympic and Paralympic movements. The USOC should also interface with the International Olympic Committee and other international organizations to focus on developing long-term relationships with the USOC, selecting and supporting United States bid cities, and ensuring that the interests of the USOC are fairly represented.

Defined Performance Objectives to Accomplish the Mission

Finally, the Task Force emphasizes that the goals and objectives described above and in more detail below should be pursued and achieved in a manner that preserves and advances the Olympic ideals. It is essential that the commitment to ethical behavior and principles of honesty and integrity set forth in the written policies of the USOC be reflected in the practices and conduct of the USOC and the entire Olympic family. Volunteers and full-time professionals, and everyone associated with the Olympic movement must conduct themselves with an awareness that their missteps and ethical lapses hurt the entire Olympic movement. The entire culture of the USOC must be modified, with a focus on working together to avoid any appearance of impropriety, and a complete commitment to enforce all the USOC policies, in order that it will become clear that the USOC has a true commitment to those policies, from the top to the bottom of the organization. Then, that commitment needs to be extended throughout the Olympic family.

B. Governance

As explained above, the current USOC governance structure is completely unworkable. Over 200 people seek to govern the USOC. The organic documents of the USOC are unclear and contradictory, assigning overlapping responsibility and authority to various individuals and committees. Lines of authority and reporting are unclear, and there is insufficient focus on holding individuals accountable for their performance and the results they achieve. The entire structure is completely inconsistent with principles of good governance.

In order for the USOC to achieve its potential, the governing documents and the structure of the USOC must align responsibility, authority, interests, and accountability. The Board needs to set policies for the operation of the organization and should then give authority and responsibility to the CEO to work, consistent with those policies, with Board assistance and oversight, to achieve the USOC's Mission. Governance costs must be reduced, and governance should be done by a few, while operations may be performed and assisted by many. Moreover, the primary duty of USOC governance and leadership should be to the USOC.

The Olympic Assembly

As an initial matter, the Task Force recommends that the USOC establish an Olympic Assembly. The Olympic Assembly will provide a mechanism for USOC leadership, officers, and committee members to communicate with the many diverse sport organizations. The Task Force recommends that the Olympic Assembly be comprised of delegates from the following constituencies—the Athletes' Advisory Council ("AAC"), the National Governing Body ("NGB") Council, and a council composed of the Community-Based Multisport Organizations, the Education-Based Multisport Organizations, the Armed Forces Organizations, and the Affiliated Sport Organizations, perhaps to be called the Multi-Sport Organization Council. The goal of the latter council should be inclusion, not exclusion, and groups like the Olympic Alumni Association should be seriously considered for membership. The Olympic Assembly will have an advisory and communication role within the USOC and the United States Olympic community. The Task Force strongly believes the Olympic Assembly should not vote on any issues relating to the governance of the USOC and any provision that requires that body to vote will retain many of the problems, costs, disruption, distraction, and political constituent-based decisionmaking that are a primary root of most of the organization's problems. One member of the Board should serve as the Chair of the Olympic Assembly each year.

The Task Force believes that there is no need for public sector membership on the Olympic Assembly because the Olympic Assembly will not be called upon to vote or make decisions and because of the significant representation of independent directors on the new Board.

The Olympic Assembly should meet annually at the same time and place where the Board will hold one of its meetings. At its annual meetings, the Olympic Assembly should provide input to the Board and CEO. Additionally, at the annual meeting, the Board, the CEO, the AAC, the Multi-Sport Organization Council, and the NGB Council should report to the Olympic Assembly about their operations, strategic planning, policies, and other plans and agendas for the future of the USOC and their organizations. The AAC, NGB Council, and the

Multi-Sport Organization Council can request that items be placed on the agenda of Board meetings.

Need to Eliminate Constituent-Based Governance and Replace it with an Independent Board

The Task Force strongly believes that the USOC should eliminate its system of constituent-based governance and replace it with an independent, smaller, focused Board of Directors. It has become clear that a primary reason the Board has been an ineffective governing body is the fact that a significant majority of the members of the Board represent more than one constituency. These members routinely face unavoidable conflicts of interest while serving on the Board and often make decisions that are in the best interests of their other constituencies but may not be in the best interests of the USOC.

The Task Force thus recommends that each member of the USOC Board should be independent. Four of the members of the Board should be “independent directors,” as defined in detail in Section IV-B-3. Additionally, once selected to the Board, all AAC and NGB personnel must sever their ties to the organizations from which they were nominated in order to support independent thinking, eliminate any control those organizations may otherwise exercise over Board members, and serve the USOC.

Function and Membership of the Board of Directors

The Task Force believes that the primary functions of the Board should be to: 1) Oversee the management of the USOC and its affairs; 2) Represent the interests of the United States and its athletes and sports governing bodies by providing the USOC with guidance; and 3) Focus on long-term objectives rather than day-to-day management. A paramount duty of the Board should be to select a well-qualified and ethical CEO and to oversee the CEO and other senior management within the USOC.

The Size and Composition of the Board

It has become an accepted principle of good governance that smaller Boards are more efficient and more effective. After analyzing best practices and studying the effectiveness of boards in both for-profit and not-for-profit organizations, the Task Force recommends that the Board consist of 11 total members: 4 independent directors, 2 athlete directors, 2 National Governing Body directors, and the International Olympic Committee directors (which will include all United States International Olympic Committee members—currently there are 3). All directors will have one vote, except the International Olympic Committee directors, who shall all share equally a single vote.

Director Independence

In order to maintain and ensure the independence of the Board, the Task Force recommends that independent directors must be determined to have no material current relationship with the USOC, either directly or through an organization that has a material relationship with the USOC.

Process for Selecting Members of the Initial Board—the Nominating and Governance Committee

The Task Force believes that it is important that the initial selection of Board members be made by those whose primary responsibility would be to select members of the initial Board. The Task Force therefore recommends that the Nominating and Governance Committee select the members of the initial Board and also recommends that the Nominating and Governance Committee identify and evaluate prospective candidates for the Board and the USOC Ethics Committee. The initial Nominating and Governance Committee shall consist of five individuals, all of whom should meet the definition of “independent director,” selected one apiece by each of the following groups: the AAC, NGB Council, the current USOC Public Sector members of the Board, the Independent Review Commission, and the Task Force.

The Task Force recommends that the Nominating and Governance Committee select one candidate for each athlete and NGB position from among the nominations of the AAC and the NGB Council, including any AAC or NGB Council directors eligible for re-election to the Board. The Nominating and Governance Committee should be free to consider whatever it determines appropriate for selecting candidates for nomination to the independent director positions. It is important that the Nominating and Governance Committee select a diverse Board with members who possess the highest personal values, judgment and integrity, an in-depth understanding of athletic competition and the Olympic ideals, and diverse experience in key business, financial, and other challenges that face the USOC.

Subsequent Membership of the USOC Nominating and Governance Committee

The Task Force recommends that the initial five members of the Nominating and Governance Committee serve for an initial term of just over two years, until July 1, 2006. From July 1, 2006, forward, every two years new membership of the five-member Nominating and Governance Committee will be selected: two Board members not up for re-election selected by the Board and one each by the AAC, NGB Council, and Multi-Sport Organization Council.

The Corporate Officer

Consistent with the concepts of governance followed by the Task Force, the Task Force recommends that the Chair of the Board of Directors, who shall be elected by the members of the Board, serve as the principal officer of the USOC and shall be responsible for setting the meetings and the meeting agendas. The Chair should exercise ceremonial or representational functions in the international context or designate others to do so, but the CEO should remain responsible for all operational aspects of international relations.

Recommended Terms of Office for the Board Members

The Task Force believes that four-year terms, as has been the tradition in the USOC, are not long enough, and that it is important for the members of the Board to change regularly. The Task Force therefore recommends that the Board members' terms be six-year staggered terms, with approximately one-third of the Board membership going out of office every two years (except for the IOC members who go out of office when their IOC membership ends). No member of the Board, other than the IOC members, should serve more than one six-year term, unless elected as Chair of the Board. Board members who serve terms of less than four years shall be eligible to be re-elected to a six-year term.

Role of the Olympic NGBs and the Athletes Advisory Council in Questions Related to the Olympic Games

In formulating its recommendations, the Task Force examined and addressed certain provisions in the Olympic Charter regarding the role of the Olympic NGBs and the AAC. The Task Force strongly believes that its recommendations pertaining to these matters satisfy the spirit and the substance of the Olympic Charter.

USOC Committees

The Task Force recommends that initially there should only be four standing committees: Audit, Compensation, Ethics, and Nominating and Governance, and that membership on these committees should not exceed 5 individuals. With respect to other committees, the Task Force recommends that, in general, the business of the USOC should be conducted by full time professional staff members. The Task Force also recommends that there shall be no Executive Committee or other committees with authority delegated from the USOC Board of Directors. The CEO may, however, appoint such advisory task forces or committees as the CEO believes appropriate. And, when the Board determines it is necessary to perform its functions, the Board may appoint additional committees or task forces.

Management

The Task Force recommends that the Board hire and oversee the CEO. The CEO is the leader of the USOC management and should be vested with the authority to make final decisions on behalf of management, and the CEO should be responsible for and manage all staff functions. The CEO, operating in accord with policies established by the Board and accountable to the Board, is responsible for determining what responsibilities and authority should be performed directly by the CEO and what should be delegated to others working under the CEO's supervision. Throughout this report, when there is reference to the CEO being responsible for doing something, it is always the case that the responsibility lies in the first instance with the CEO and can be performed by the CEO or his or her designee.

If the new Board determines, based on consultation with the CEO, that having both the title of CEO for domestic purposes and the title of Secretary General for international relations purposes would aid the CEO, the Task Force recommends that the Board be able to assign him or her that title.

Board Meetings

The Board should meet at regularly scheduled meetings at least 4 times per year, once in conjunction with the Olympic Assembly. The Chair of the Board, in keeping with the Board's plan and in consultation with the CEO and the chairs of the committees, should determine the agenda for the Board meetings. To encourage open discussions, the Board should hold not less than 2 sessions per year in executive session without the CEO present. And, at every meeting the Board should have a session with the CEO present, but no other USOC staff.

Director Access to Management and Outside Advisors

The Task Force recommends that the USOC's senior management team should attend Board meetings on a regular basis. All contact with members of the USOC's management team,

other than the CEO, initiated by Board members outside of the Board meetings should be directed to (or through) the CEO. The Task Force believes that the Board and the committees should have the authority to retain such outside counsel, auditors, experts, and other advisors as they determine necessary to assist them in the performance of their functions.

Communications with the Board

The Task Force recommends that the USOC publish on its website a mailing address and an e-mail address for communications directly with the Chair of the Board.

Director Orientating & Continuing Education

The Task Force recommends that the directors participate in an orientation program to assist in familiarizing themselves with the business of the USOC and their responsibilities as directors. The orientation program should be developed by the CEO and senior management staff in consultation with the Nominating and Governance Committee.

Board Performance Evaluations

The Task Force believes that the Board should conduct a vigorous and structured annual self-evaluation to assess its effectiveness, based on criteria developed by the Nominating and Governance Committee and approved by the Board.

Removal of Members of the Board or Committees

The Task Force recommends the creation of streamlined, fair procedures for removing a Board or committee member who is unwilling or unable to attend meetings on a consistent basis. If a Board or committee member is alleged to have violated the Code of Ethics or other USOC policies concerning behavior or has engaged in conduct that reflects badly on the USOC, that person should be advised of the allegations and should have an opportunity to be heard before the full Board, and there must be provisions concerning the process by which it will be determined if such an individual should be removed from positions with the USOC. The Bylaws should be clear that proper expression of views contrary to the majority or proper disclosure of improper conduct by those associated with the USOC must not constitute the reason for removal of a Board or committee member (or anyone else). The Bylaws should also have standard provisions addressing the removal and replacement of Board and committee members in the event they tender their resignation or otherwise become unable to continue to serve. Additionally, there should be provisions for removal or consideration of removal of Ethics Committee members or independent directors on the Board in the event they enter agreements or relationships or accept employment that renders them no longer independent. Finally, the new Board should examine these issues and determine an appropriate, streamlined, and fair process for dealing with the possibility of removal of directors and committee members that is consistent with these principles.

Compensation Committee/Management Evaluation and Succession

The Compensation Committee should conduct an annual review of the performance of the Chair of the Board and the CEO. Moreover, on an annual basis, the Compensation Committee and the Board should review management succession planning with the Chair and CEO.

Need for Increased USOC Oversight and Supervision of Performance of National Governing Bodies

The Task Force strongly believes that the USOC must do a better job of fulfilling its obligations under the Act to review and improve the performance of the NGBs, as the NGBs have the primary responsibility for supporting top-level athletes in the various Olympic sports. As many members of the Olympic family have testified, to reform the USOC without addressing the NGBs will not be enough for the USOC to help United States athletes achieve sustained competitive excellence.

International Relations

International relations in the Olympic movement should be the responsibility of the CEO, consistent with policies set by the Board, with Board oversight, and with the CEO to be held accountable by the Board for the organization's performance in the area of international relations. The international relations activities of the USOC should be integrated by the CEO with all other USOC initiatives to develop an overall, coordinated strategy for accomplishment of the Mission and the goals and objectives of the USOC, both in the short run and for the long term.

The Cost Effect of These Changes

Significantly, if the governance changes recommended by the Task Force are fully implemented, the USOC could save over \$1 million per year in governance costs.

Transition

In order maximize the potential of the USOC, the Task Force believes that the changes recommended in this report should be implemented as fast as possible, and no later than by the Spring of 2004.

C. Ethics

The Task Force believes that the USOC and its member organizations must have a complete commitment to and unyielding compliance with the USOC ethics policies.

Recommendations

The Board should adopt a new Code of Ethics (the "Code") applicable to all employees, as well as to all members of the Board and of Board committees ("Covered Individuals"). All member organizations should be required to adopt and comply with the new Code.

The Ethics Program

The Task Force recommends that the Ethics program be modified to focus on a continuous effort to identify and avoid potential conflicts of interest and to adopt a proactive, supportive culture instead of a policing function. The two key aspects of the Ethics program should be: 1) Ethics disclosure guidelines and education programs for all USOC personnel to raise their awareness of potential issues; 2) Required ethics disclosure before any USOC employee is hired and before any Board or committee member begins performing any work on behalf of the USOC. It is essential that all USOC personnel, Board or committee members, and potential employees thoroughly

identify all potential conflicts of interest. The USOC must have a commitment to apply and enforce the ethics policies fairly and diligently in a manner that makes it clear throughout the Olympic family that the USOC's commitment to those policies is unwavering.

Ethics Education

The Task Force recommends that USOC ethics education programs be designed to communicate the USOC's commitment to the highest ethical standards. The Task Force believes it is important that attendance at ethics seminars be mandatory for all Covered Individuals.

Ethics Provision in Constitution and Bylaws

The USOC should insert language in the new Bylaws urging USOC personnel to promote ethical behavior.

Protected Reporting of Ethics Concerns

The Task Force recommends that the USOC create a toll-free number and/or a confidential e-mail address to facilitate the anonymous transmission of questions relating to the Code or suspected violations of the Code. Moreover, all Covered Individuals should be required to cooperate in any investigation of issues related to the Code.

Disclosure

The USOC should improve its disclosure forms to increase the disclosure of potential conflicts so that they can be identified and avoided. Additionally, all Covered Individuals should be asked to disclose broadly all activities, financial interests, and relationships that might at some time or in some circumstance constitute actual or apparent conflicts of interest.

The Ethics Officer

The Task Force believes that the primary focus of the Ethics Officer should be on ethics education and identification and prevention of actual or apparent conflicts of interest. The Ethics Officer should certify to the Ethics Committee that all Covered Individuals are current on their submission of completed ethics disclosure forms. The Ethics Officer should also report to the Chair of the Board and the Chair of the Ethics Committee.

The Ethics Committee

The charge of the Ethics Committee should be to work with the Ethics Officer to provide oversight and ethics policy guidance, review difficult ethical issues, investigate allegations of unethical behavior, and make recommendations concerning potential improvements in ethics education, prevention, and compliance. The five members of the Ethics Committee should be selected by the Nominating and Governance Committee from among individuals who meet the definition of independent directors, but should include one athlete as provided in the Act. It is important that the Ethics Committee be independent and have the freedom to investigate all ethical issues.

Ethical Conduct of the Business of the Board and Management

The Task Force believes that the Board should set the tone for the USOC and the entire Olympic family, and that the CEO should set the tone for the management and staff of the USOC.

Ethical Behavior by NGBs

The same principles and policies of ethical behavior discussed above should be applied by the NGBs.

D. Other Policies

Protection of Confidential and Proprietary Information

The Task Force recognizes that there is a need for the USOC's operations and policies to be as transparent as possible. At the same time, the USOC operates a major sports and entertainment business and there is a need to protect the confidential and proprietary nature of many of its documents and agreements. The Task Force believes that the protection of confidential information will be much easier once the number of Board and committee members is decreased and once the constituent-based nature of USOC governance is eliminated. Nevertheless, clear policies concerning confidential and proprietary information should be adopted and implemented by the Board and enforced by the CEO and the Board. Additionally, there should be transparency concerning as many issues as possible, including financial performance, strategic plans that do not have confidential components, and governance of the USOC. Disclosure should be made by the USOC as directed by the CEO, in compliance with policies established by the Board, through a professional "single voice" approach, as discussed below. It is important that all USOC personnel, including Board and committee members and employees, should be advised about the protection of confidential information and be required to acknowledge their fiduciary and confidentiality obligations to the USOC by executing annual non-disclosure agreements.

Transparency

The operations and policies of the USOC should be maintained in as open a manner as possible. The USOC should be responsive to the American public, the United States Congress, and all members of the Olympic family, particularly the athletes and NGBs. Information is needed for the public to assess the USOC and understand its objectives and conduct, and awareness is needed to keep all Americans informed about the achievements of United States athletes. The Olympic Assembly is an important part of the increased transparency of the USOC, as it is designed specifically to facilitate communication and reporting by the various groups within the USOC. Moreover, it should be easier to identify the information available to be communicated to the Olympic family and the public with a streamlined Board, fewer committees, and a CEO responsible for all operations of the USOC. The Task Force believes that the transparency of the USOC should be current, public, and sufficient, and the Board and the CEO should seek to achieve the maximum level of transparency, while maintaining appropriate respect for confidential and proprietary information.

Communications

The Task Force recommends that the USOC enforce a clear “one voice” strategy for the organization. The CEO should be responsible for communications from the USOC, while the Chair of the Board should respond or issue communications in special, limited circumstances, as provided by the Board. Board members, committee member, and employees who are not specifically authorized and directed by the CEO should not speak to outsiders or the media about USOC business. It is important to note that the “one voice” policy is not intended to restrict the amount of information communicated, but rather to direct it through the proper channels to avoid confusion, and miscommunication.

CONCLUSION

The USOC’s overbroad Mission statement and its enormous and confused governance structure have severely limited the organization’s ability to perform. The changes that need to be made are clear. When faced with proposals for dramatic changes and confronted by substantial resistance, there is a temptation for fair, well-meaning individuals to seek to compromise, to make small concessions to allow some vestiges of the old system to continue. Perhaps the temptation is as a token of appreciation to those who have labored so valiantly under that system and are now faced with what they may perceive to be a loss of their connection with the USOC and the Olympic movement. The Task Force has resisted the temptation and calls upon the Board and all others involved in this effort to relaunch the USOC on the right course to do the same.

From the crises of the past few months, a tremendous opportunity has emerged. With a streamlined governance structure and clear organic documents, the obstacles to progress and achievement will have been removed. The organization’s membership now has the commitment to change that was lacking in the past. With the obstacles removed, the path is clear but there remains a tremendous amount of work to be done to move the organization down the path. People with ability, vision, and commitment can contribute and it will therefore be easier to attract and retain them. The outstanding volunteers and professional staff who have labored so hard to achieve despite the system can now advance the Mission without that resistance.

Athletes First

The focus of the USOC must be returned to athletes. That is what the Task Force project has been about—reforming the organization so that the hundreds of talented people in the USOC and the Olympic family can get back to the task that has always been at hand, helping United States athletes, particularly Olympians and Paralympians, achieve sustained competitive excellence. With the changes proposed by the Task Force, that Mission should become more achievable, it should be performed in accordance with high ethical standards, and the time spent advancing that Mission should be more rewarding for all involved and more inspirational for all Americans

III. BACKGROUND

A. Purpose and Charge of Task Force

The USOC has helped U.S. athletes achieve unparalleled success in Olympic competition. In the past several months, however, events occurred which publicized serious deficiencies in certain areas of the USOC's governance. Many of those deficiencies were widely known within the Olympic movement, and certain deficiencies had been identified by various groups studying USOC governance over the past fifteen years. However, the public focus of late on these long-standing problems was so substantial that it became clear that Congress, the American public, and even some associated with the Olympic movement had lost confidence that the leadership of the USOC was capable of doing what was necessary to solve its own problems and restructure the governance of the USOC. The fact that since 1991 the USOC has had seven different Presidents and seven different CEOs fueled the doubt surrounding the USOC and made clear that substantial changes needed to be made within the organization.

The USOC Executive Committee determined that the Olympic family needed to work together to bring about changes in the USOC, to take decisive action, and to demonstrate that those within the USOC were able to run the organization without substantial ongoing Congressional oversight and involvement. Towards this end, on January 13, 2003, the Executive Committee passed a resolution directing the USOC elected officers and the Chairs of the Athletes Advisory Council ("AAC") and the National Governing Body Council ("NGB Council") to prepare an action plan to address a select number of the areas in need of reform. The scope of the initial action plan was limited, and the relevant portion of the resolution stated as follows:

... I move that this Executive Committee direct and authorize the officers of the USOC, in consultation with the Chairs of the AAC and the NGB Council, to develop a comprehensive plan of action to address the organizational issues and many other issues that have been raised as a result of the Ethics Oversight Committee and in connection with this special meeting of the Executive Committee, with the Officers' plan of action, when completed, to be submitted to the Executive Committee for review and approval by February 9th. The issues to be addressed by the Officers shall include to thoroughly investigate the issue of unauthorized leaks of information to the press, and recommend corrective and perhaps disciplinary action to deal with historical leaks and to prevent leaks in the future.

Soon after this resolution was issued, however, the scope and underlying concept of the action plan changed dramatically, as it became clear that the problems plaguing the USOC and the U.S. Olympic movement were broader and more complex than the areas covered by the initial action plan. Additional issues were raised, not just by volunteers and staff within the USOC, but by USOC sponsors, suppliers, and strategic partners, the United States Congress, the media, and the public. Calls were made for Congressional investigations, oversight committees, "Blue Ribbon panels," and other external bodies to investigate and make recommendations concerning the future of the USOC. Many of the issues raised concerned fundamental aspects of the USOC, including concerns about the Mission of the USOC, as well as the size, role, and

composition of the Board and the Executive Committee. At the same time, issues arose concerning the operation of the Ethics Oversight Committee and the responsibilities and performance of the Ethics Compliance Officer. In short, it became clear that there was a consensus that the USOC—including its Mission, its governance, and its policies—needed to be reformed. In addition, the Omnibus Appropriations Act of 1998, enacted in conjunction with the 1998 amendments to the Ted Stevens Olympic and Amateur Sports Act (the “Act”), 36 U.S.C. § 220501, *et seq.*, the legislation of the United States Congress that creates and charters the USOC, mandated that in 2003 the USOC must “submit a special report to the Congress on the effectiveness of the provisions of the [Act], together with any additional proposed changes to that [Act] the United States Olympic Committee determines are appropriate.” 36 U.S.C. § 220511(a).

Thus, on February 9, 2003, the elected officers of the USOC and the Chairs of the AAC and NGB Council issued a report (the “Action Plan”) that both addressed the issues within the scope of the January 13, 2003 resolution and also identified the many broad fundamental structural and governance issues that had been raised in the weeks following the resolution. The Action Plan detailed an extensive list of specific action items regarding the relevant issues and recommended that Acting USOC President William Martin submit the action items and the broad issues to a task force for consideration. The broad areas covered in the Action Plan included the following: 1) Ethics; 2) Governance and organizational issues; 3) Protection of confidential information relating to the USOC, its staff and volunteers against unauthorized disclosure; 4) Communications policies; 5) Openness, transparency, and disclosure; 6) the need for immediate, decisive action. Within each of these areas, the Action Plan specified a great many issues and questions to be submitted by President Martin to the proposed task force.

The Action Plan recognized that “[t]he time for action, change and improvement is now,” and recommended the immediate creation of a task force. The task force was directed to investigate and consider the various issues detailed above and to issue specific recommendations concerning ways in which all of these areas could be improved. The purposes of the task force recommendations are to help the USOC create a first class, state of the art governance structure, to attract top quality people to work for the organization, and to help the organization improve its performance in all areas—more efficiency, more accountability, more transparency, achievement of higher standards of ethical behavior, better use of the available resources, including all of the people involved in the Olympic movement, more direct funding for athletes and National Governing Bodies (“NGBs”), and an ability to make the strategic decisions necessary to advance the Olympic movement in the United States. All of these reforms will mean that the USOC can better serve the athletes who are the focus of the USOC and the Olympic movement.

To create a balance of ideas from those within and outside of the USOC and to take advantage of the wealth of knowledge and experience of those within the Olympic family and those with experience in related areas, the task force was to include at least the following: two of the USOC vice-presidents, members drawn from the AAC and NGBs, public sector members of the Olympic family, and others with expertise related to corporate governance and related issues to be considered by the Task Force. The Action Plan directed the President of the USOC to appoint the specific membership of the task

force, in compliance with the requirements of Article XIV of the USOC Constitution, and permitted the President to add additional members to the task force.

While the Action Plan recommended that the task force be permitted to determine its own rules of procedure, it also specified that the task force was to work with the General Counsel's office and the USOC government relations personnel. The Action Plan also recommended that the task force be encouraged to communicate with Congress to ensure that its recommendations were responsive to the concerns of Congress and the public, and also be encouraged to utilize the recommendations and analyses of prior groups and panels that have studied the USOC. Finally, the Action Plan mandated that the task force issue a report no later than April 16, 2003.

B. Membership and Resources of the Task Force

Following the issuance of the Action Plan, William Martin, the Acting President of the USOC, created and appointed, with the full support of the Executive Committee, the Governance and Ethics Task Force (the "Task Force"). President Martin determined that the Task Force should focus on certain issues from among the list proposed in the Action Plan, primarily governance, ethics, protection of confidential information, transparency, and the need for immediate, decisive action. As contemplated by the Action Plan, the Task Force was drawn from a broad base of knowledgeable individuals from both within and outside the Olympic family. USOC Vice Presidents William Stapleton and Frank Marshall were appointed to chair the Task Force. The remainder of the Task Force consisted of the following individuals: Gwendolyn Baker, Robert Balk, Fraser Bullock, Christopher Duplanty, Gordon Gund, James McCarthy, Cameron Myler, and Lisa Voight. Two of the Task Force members were leaders of successful efforts to restructure and streamline two national governing bodies. Three Task Force members are United States Olympians. One Task Force member is a Paralympian. One Task Force member was a leader of the successful Salt Lake Organizing Committee in 2002. Other Task Force members have tremendous experience as members of boards of directors of for profit and not for profit organizations. Appendix I to this report contains biographic information regarding each of the members of the Task Force.

The Task Force was also encouraged to select leading experts concerning the various issues confronting the Task Force, and to involve those experts in all aspects of the Task Force's efforts. In conducting its work, the Task Force utilized input from Mal Wakin, George Cohen, and John and Miriam Carver. The Task Force also availed itself of the assistance of General Counsel Jeffrey Benz, who hired Mark Levinstein and Gabe Feldman of the law firm of Williams & Connolly LLP to assist the Task Force with the volume of work this project presented.

As discussed above, the Action Plan made clear that the Task Force should utilize and consider the considerable efforts made by other oversight committees, blue ribbon panels, organizational experts, and others who have studied the USOC and have left a legacy of reports and analysis. The Action Plan also encouraged the Task Force to consider the testimony and recommendations made by various interested individuals at recent Congressional hearings.

The Task Force compiled and studied a vast amount of information, including thousands of pages of governance and ethics documents of other organizations, and the leading thinking and writing about the most effective models, structures, and concepts of corporate governance. The Task Force considered corporate governance and ethics best practices for both for-profit and not-for-profit organizations. The Task Force also carefully studied the recommendations of previous expert panels, including the August 29, 1999 McKinsey & Company Report (the "McKinsey Report"), the February 19, 1989 Report of the Olympic Overview Commission to the United States Olympic Committee Executive Committee (the "Steinbrenner Commission Report"), the 1975-77 Final Report of the President's Commission on Olympic Sports, and various other expert reports. Finally, the Task Force reviewed the testimony regarding the USOC given at the various hearings of the House Subcommittee on Commerce, Trade, and Consumer Protection and the Senate Committee on Commerce, Science and Transportation. The Task Force also reviewed the *Olympic Charter*, the Ted Stevens Olympic and Amateur Sports Act, 36 U.S.C. § 220501, *et seq.* (the "Act"), existing USOC policies, the USOC Constitution and Bylaws, various USOC financial records and documents, the USA Cycling Governance Policy Manual, articles related to corporate governance in the *Harvard Business Review*, standards concerning the independence of directors including the rules of the New York Stock Exchange, the *ACCA Docket* (the Journal of the American Corporate Counsel Association), the *New York Times*, and the *Wall Street Journal*, the governance structure of certain other federally chartered corporations, governance documents from the National Olympic Committees ("NOCs") for Australia, Belgium, Canada, Germany, Italy, Japan, the Netherlands, New Zealand, and Switzerland, the Board handbooks for various public corporations, including General Electric and General Motors, excerpts from Futter, et al., *Nonprofit Governance and Management*, and Carver, *Boards that Make a Difference*. The Task Force also reviewed the *Conference Board Commission Report on Public Trust and Enterprise*, and various other publications.

In addition, a tremendous number of letters, e-mails, and other written submissions were delivered to the Task Force over the past few months, from various people within and outside the Olympic family. Some of these submissions were directed to the Task Force, and others were sent to the panel appointed by the USOC at the request of three United States Senators, the Independent Review Commission (the "Commission"), and copied to the Task Force. The members of the Task Force all reviewed, discussed, and considered those submissions, as well. The Task Force's counsel reviewed myriad additional corporate governance and related materials.

C. The Process Undertaken by the Task Force

The Task Force held several all-day meetings and analyzed the resources, materials, and other submissions described above.

The members of the Task Force regularly exchanged documents and e-mails for the past four months to discuss issues, develop initial recommendations, and reexamine and improve upon those recommendations. The Task Force also communicated on an ongoing basis with members of the Commission.

After two months of work, the Task Force met with the Executive Committee and Board in Fort Worth, Texas from April 11-13, 2003. On April 11, the Task Force, led by co-chairs William Stapleton and Frank Marshall, presented their initial findings to the Executive Committee. On the morning of April 12, the Task Force, along with Miriam Carver, presented their findings to the assembled Board. Following this presentation, the Task Force conducted several roundtable discussions, led by the officers and Executive Committee members, during which the Task Force solicited feedback from the members of the Board. During this time, Miriam Carver was also made available to answer questions regarding the recommended governance structures. Later that day, the Task Force attended the meetings of the NGB Council, the AAC, and the Community and Education Based Multisport Organizations, to reiterate key themes from the Task Force presentation, to solicit more feedback and input, and to answer any outstanding questions. Following these meetings, the members of the Task Force made themselves available to meet with individuals concerning any of the recommendations and to receive further input. Later that evening, the Task Force met for several hours to discuss the input they received throughout the day and to incorporate any necessary changes into their recommendations.

On Sunday, April 13, the Task Force presented its responses to the various issues and questions raised the previous day. Several changes and clarifications were made in response to the ideas and recommendations received from members of the Olympic family. The Task Force committed to reconsider certain other issues and to address in this report a number of issues raised during the Fort Worth meetings. Following this presentation, the members of the Task Force again made themselves available to meet with individual Board members and others concerning any of the recommendations and to receive further feedback and comments. At the conclusion of its Sunday, April 13, 2003 session, the Board voted unanimously to endorse the initial recommendations of the Task Force. This followed a similar resolution that was approved by the AAC the day before.

Following the April 11-13 meetings, the Task Force continued to accept reactions, suggestions, criticism, and other input—via e-mail and facsimile—from the general public and members of the Olympic family. Members of the Task Force also attended and provided a statement at the public meeting of the Commission on April 25, 2003 in New York City. The Task Force convened both in person and via conference call, and corresponded by electronic mail and fax on a regular basis to consider the issues before it, the input it received from members of the Olympic family during and after the April 11-13 meetings, and testimony given at the various Congressional hearings and at the Commission's public meeting. The Task Force also discussed issues concerning its recommendations and the *Olympic Charter* with International Olympic Committee ("IOC") staff and with the IOC members from the United States. The Task Force evaluated every idea, every suggestion, and every criticism, and determined whether they would lead to an improved USOC, not whether they would appease a particular group or satisfy some other agenda. In all, the Task Force considered input from over 150 people, who represented the views of more than 70 organizations involved in the Olympic

movement. The Task Force then prepared this final report, which encompasses the Task Force's overall report and recommendations.

The Task Force plans to issue a further document in early July 2003 submitting the necessary changes in the Constitution and Bylaws, to be addressed and voted on at the October meeting of the Board.

IV. TASK FORCE RECOMMENDATIONS

A. USOC Mission

Summary of Recommendations

Overview

- There is a consensus that the mission of an organization helps define the structure of that organization, and there is substantial evidence that the lack of clarity of the USOC's Mission or purpose has been an obstacle to the successful operation of the USOC.

Modifications in the Act and the Mission Statement

- The following should be the USOC Mission statement: Help U.S. Olympic and Paralympic athletes achieve sustained competitive excellence and preserve the Olympic ideals, and thereby inspire all Americans.
- The USOC should direct its focus on goals and objectives that further its stated Mission.
- The "purposes" of the USOC specified in 36 U.S.C. § 220503 should thus be modified to eliminate all purposes that do not further the goals contained within the new USOC Mission statement. Additionally, all remaining purposes should be interpreted in a manner that is consistent with the USOC Mission.
- The purposes of the USOC specified in 36 U.S.C. § 220503 should be modified to read as follows:

The purposes of the corporation are—

- ~~(1) to establish national goals for amateur athletic activities and encourage the attainment of these goals;~~
- ~~(2) to coordinate and develop amateur athletic activity in the United States, directly related to international amateur athletic competition, to foster productive working relationships among sports related organizations;~~
- (3) to exercise exclusive jurisdiction, directly or through constituent members or committees, over—
 - (A) all matters pertaining to United States participation in the Olympic Games, the Paralympic Games, and the Pan American Games, including representation of the United States in the games; and

(B) the organization of the Olympic Games, the Paralympic Games, and the Pan American Games when held in the United States;

(42) to obtain for the United States, directly or by delegation to the appropriate national governing body or paralympic sports organization, the most competent amateur representation possible in each event of the Olympic Games, the Paralympic Games, and Pan American Games;

~~(5) to promote and support amateur athletic activities involving the United States and foreign nations;~~

~~(6) to promote and encourage physical fitness and public participation in amateur athletic activities;~~

~~(7) to assist organizations and persons concerned with sports in the development of amateur athletic programs for amateur athletes;~~

(83) to provide swift resolution of conflicts and disputes involving amateur athletes, national governing bodies, paralympic sports organizations, and amateur sports organizations, and protect the opportunity of any amateur athlete, coach, trainer, manager, administrator, or official to participate in amateur athletic competition;

~~(9) to foster the development of amateur athletic facilities for use by amateur athletes and assist in making existing amateur athletic facilities available for use by amateur athletes;~~

~~(10) to provide and coordinate technical information on physical training, equipment design, coaching, and performance analysis;~~

~~(11) to encourage and support research, development, and dissemination of information in the areas of sports medicine and sports safety;~~

(124) to encourage and provide assistance to amateur athletic activities for women;

(5) to encourage and provide assistance to amateur athletic programs and competition for amateur athletes with disabilities, including, where feasible, the expansion of opportunities for meaningful participation by such amateur athletes in programs of athletic competition for able-bodied amateur athletes; and

(136) to encourage and provide assistance to amateur athletes of racial and ethnic minorities for the purpose of eliciting the participation of those minorities in amateur athletic activities in which they are underrepresented.

Specific Reference to Paralympic Athletes

- A separate national Paralympic committee for the United States could not generate enough revenue to be self-sustaining in the long run.
- The USOC should be proud of the fact that it is the only national Olympic committee that has taken on the responsibility of serving as a national Paralympic committee.
- Inclusion of reference to Paralympic athletes in the Mission does not suggest that there should be equal funding of Olympic and Paralympic sports or equal funding among Olympic sports or Paralympic sports. Olympic sports should remain the primary focus of the USOC.

Absence of a Specific Reference to Pan American Games in the Mission Statement

- The Pan American Games remain a very important part of international athletics, and the Task Force does not recommend that the USOC's responsibilities with respect to the Pan American Games be altered.
- Consistent with focusing on the USOC's stated Mission, however, helping United States athletes achieve sustained competitive excellence in the Olympic and Paralympic Games takes precedence over all other competitions, including the Pan American Games.

Preservation of the Olympic Ideals and Inspiring all Americans

- The primary ways in which the USOC should inspire all Americans are not by creating or overseeing separate programs, but rather by public awareness of the stories, accomplishments, and performances of Olympians and Paralympians in athletic competition and by public awareness that the USOC and U.S. athletes conduct themselves in accordance with the Olympic ideals.

Key Implementation Elements by Which the USOC Achieves its Mission

- The USOC should focus on several key implementation elements—the primary ways in which the USOC should seek to achieve its Mission.
 - The USOC should partner with and provide select resources and services to the National Governing Bodies and Paralympic Sports Organizations to obtain for the United States the most competent representation in each event of the Olympic and Paralympic Games.
 - The USOC must enhance and protect the Olympic brand and the overall perception of the Olympic movement in the United States to promote the long-term financial success of the USOC and generate revenues to support the Olympic and Paralympic movements.
 - The USOC should interface with the International Olympic Committee and other international organizations to focus on developing long-term relationships with the UOC, selecting and supporting United States bid cities, and ensuring that the interests of the USOC are fairly represented.

Defined Performance Objectives to Accomplish the Mission

- All of these goals and objectives should be pursued and achieved in a manner that preserves and advances the Olympic ideals.

Recommendations

The Task Force has focused on the fundamental challenges confronting the USOC and offers recommendations to address those issues.

1. Overview

The first fundamental question considered by the Task Force was the Mission of the USOC. There was a consensus that the Mission of an organization assists in defining the structure of the organization. That concept is reinforced and emphasized in the writings of governance experts.

The Task Force started its analysis of the Mission with a review of the purposes of the USOC as set forth in the Ted Stevens Olympic and Amateur Sports Act (the "Act") and the Mission of the USOC as defined in the Constitution.

Section 220503 of the Act specifies the purposes Congress envisioned for the USOC in 1978, when the Act was first enacted (as modified in 1998):

§220503. Purposes

The purposes of the corporation are—

- (1) to establish national goals for amateur athletic activities and encourage the attainment of those goals;
- (2) to coordinate and develop amateur athletic activity in the United States, directly related to international amateur athletic competition, to foster productive working relationships among sports-related organizations;
- (3) to exercise exclusive jurisdiction, directly or through constituent members or committees, over—
 - (A) all matters pertaining to United States participation in the Olympic Games, the Paralympic Games, and the Pan American Games, including representation of the United States in the games; and
 - (B) the organization of the Olympic Games, the Paralympic Games, and the Pan American Games when held in the United States;
- (4) to obtain for the United States, directly or by delegation to the appropriate national governing body, the most competent amateur representation possible in each event of the Olympic Games, the Paralympic Games, and Pan American Games;
- (5) to promote and support amateur athletic activities involving the United States and foreign nations;

(6) to promote and encourage physical fitness and public participation in amateur athletic activities;

(7) to assist organizations and persons concerned with sports in the development of amateur athletic programs for amateur athletes;

(8) to provide swift resolution of conflicts and disputes involving amateur athletes, national governing bodies, and amateur sports organizations, and protect the opportunity of any amateur athlete, coach, trainer, manager, administrator, or official to participate in amateur athletic competition;

(9) to foster the development of amateur athletic facilities for use by amateur athletes and assist in making existing amateur athletic facilities available for use by amateur athletes;

(10) to provide and coordinate technical information on physical training, equipment design, coaching, and performance analysis;

(11) to encourage and support research, development, and dissemination of information in the areas of sports medicine and sports safety;

(12) to encourage and provide assistance to amateur athletic activities for women; to encourage and provide assistance to amateur athletic programs and competition for amateur athletes with disabilities, including, where feasible, the expansion of opportunities for meaningful participation by such amateur athletes in programs of athletic competition for able-bodied amateur athletes; and

(13) to encourage and provide assistance to amateur athletes of racial and ethnic minorities for the purpose of eliciting the participation of those minorities in amateur athletic activities in which they are underrepresented.

There has been a general recognition for many years that given the USOC's resources, unless substantial additional funding were to be identified and provided, the USOC cannot properly be expected to achieve all the purposes detailed in the Act and the broad scope defined in the Act has limited the organization's ability to achieve its primary purpose – success in major international sports competition:

“The Commission has heard consistent testimony that the USOC, due to the broad reach of the Amateur Sports Act, has drifted into trying to be all things to all people. That cannot continue because of the USOC's limited financial resources. To be effective, the USOC must focus on its primary purpose, which is the preparation of United States Olympic and Pan American teams. The Commission recognizes that the USOC is vastly underfunded, particularly when compared to the funding available to many of America's strongest competitors. In fact, the USOC does not currently have sufficient financial resources to fulfill even its primary purpose. . . .”

The purpose of the USOC is to provide strong leadership in the development, promotion and coordination of amateur athletic competition in the United States, and to field and finance the best possible teams for the Olympic and Pan American Games. . . . With the limited resources available, the USOC must focus on activities that are central to its Mission, and not weaken its effort by trying to be all things to all people.”

Steinbrenner Commission Report at 1, 3 (February 19, 1989).

Ten years later, the recommendation was still the same. The 1999 McKinsey Report’s first recommendation, approved unanimously in principle by the USOC Executive Committee and the USOC Board, was:

“Refocusing the organization’s Mission around the Olympic athlete and success in the Olympics, combined with an immediate emphasis on operational excellence. This refocusing should accelerate the USOC’s ability to provide outstanding service to athletes and NGBs, as well as create options for later growth.”

McKinsey & Company and Public Sector Members of the USOC, Summary of Organizational Recommendations for Board Consideration at 2 (September 29, 1999).

To achieve that goal, the McKinsey Report recommended that the USOC’s Mission statement be streamlined, aspirational, brief, clear, actionable, and consistent. *Id.* at 7. The Mission statement recommended in the McKinsey Report was:

“Lead the world’s best National Olympic Committee: Help U.S. Olympic athletes achieve sustained competitive excellence while inspiring all Americans and preserving the Olympic ideal.”

Id.

The Board adopted the McKinsey Report’s recommendations concerning the USOC Mission statement, but felt constrained by the Act to specify that the Mission had to be fulfilled in a manner consistent with the Act and all the purposes specified in the Act:

ARTICLE II - MISSION

Section 1. The Mission of the USOC shall be as follows:

Lead the world’s best National Olympic Committee: Help U.S. Olympic athletes achieve sustained competitive excellence while inspiring all Americans and preserving the Olympic ideal.

Section 2. The USOC shall fulfill its mission on a basis consistent with Section 220503 of the Ted Stevens Olympic and Amateur Sports Act (the "Act"), which sets forth the purposes of the USOC.

Constitution Art. II (as amended April 21, 2002).

There was a consensus among the members of the Task Force and appeared to be a consensus among those who testified before Congress in 2003 that the adoption by the Board of the Mission recommended by the McKinsey Report (subject to the purposes of the USOC as mandated by the Act) had not solved the problem of the USOC being asked to be all things for all people and had not had any significant effect on the operation of the USOC.

The Act's recitation that the purposes include "to establish national goals for amateur athletic activities and encourage the attainment of those goals," "to promote and encourage physical fitness and public participation in amateur athletic activities," and "to foster the development of amateur athletic facilities for use by amateur athletes and assist in making existing amateur athletic facilities available for use by amateur athletes" is regularly cited by United States organizations involved in amateur athletics as the basis for funding of activities that have only an indirect or a remote impact on performance by top-level United States athletes.

The Task Force identified many ways in which the purposes of the USOC as specified in the Act create a lack of clarity concerning the proper operation of the USOC. For example, all the organizations that support or encourage athletics or physical activity by large numbers of young children, including after-school activities for elementary school children, can contend that they should receive funding or support from the USOC because they are working with the Olympic athletes of the future, even though their focus is on as broad a participation as possible and there is no effort to focus on top-level youth athletes. While the Task Force recognizes the value and importance of the work of those organizations, the USOC does not have the funding or expertise to support the activities of all of those organizations and time and resources spent focusing on the needs of those organizations outside their involvement in the USOC's responsibility for the Olympic and Paralympic Games will further dilute the USOC's ability and performance in those core areas.

Similarly, the Act's statement that one of the purposes is "to encourage and support research, development, and dissemination of information in the areas of sports medicine and sports safety" is not limited to top-level or international or Olympic athletes. That provision is cited by organizations seeking funding or assistance as a basis for USOC funding and administrative support of sports medicine and sports safety research not reasonably calculated to improve performance or safety or health of top-level athletes. Issues concerning how the USOC delivers on its Mission, whether through sports medicine or research and development, might more properly be addressed by business considerations undertaken by a Board focused on a different Mission. Again, the Task Force recognizes the value of sports medicine and sports safety, but beyond a focus on those issues in ways that will help top-level United States athletes achieve sustained competitive excellence, general responsibility for those subjects is (or should be) beyond the focus of the USOC Board. Similarly, sports science is one of the ways that the USOC can and does help United States athletes achieve sustained competitive excellence,

particularly in sports in which staying current with the scientific advances is essential to staying competitive at the highest levels of the sport. However, the purpose of advancing sport science is inherent in fielding the best United States Olympic and Paralympic teams, and does not need to be, and should not be, an independent purpose of the USOC, removed from its obligations with respect to the top levels of international sports competition.

The evidence reviewed by the Task Force is substantial that the lack of clarity of the USOC's Mission or purpose is an obstacle to the successful operation of the USOC. In order to better function as an NOC, the USOC must focus its Mission. While the specific scope and nature of the USOC's primary and secondary goals are still fluid, most experts and commissions who have looked at the issue have reached a general consensus that the USOC's main goal should be to help athletes achieve success in the Olympic Games:

"Th[e] narrow Mission [proposed by the Task Force] is fine. The USOC must stick with it and I encourage the Commission to have Congress limit the responsibilities of the organization, especially where there are implied or explicit issues with unfunded mandates. Structure is needed to carry out that Mission and the political structure of the USOC is broken and cannot just be mended. It must be completely changed in order to emerge as a stronger, better organization."

Testimony of Sandra Baldwin, former USOC President, to the Independent Review Commission at 5-6 (April 25, 2003).

"Every organization that you say the USOC should be responsible for is going to impact their ability to achieve their primary Mission, and to the degree that you feel it necessary to put upon the USOC the responsibility of these other organizations, you just need to be fully aware that there is a significant opportunity cost and it has to be weighed in the decision.

I think that the USOC Mission is very clear; it has to achieve success at the Olympic Games. These other organizations and purposes are wonderful, and I don't think anybody would say that they are not. It's just that it is very difficult to govern such a wide-ranging body as the USOC represents and also serve all of those other missions and be effective, introducing sort of a political friction that has been heard in recent years."

Testimony of Norman Bellingham, senior vice president of strategic planning for Turner Broadcasts, to the Independent Review Commission at 25-26, 35-36 (April 25, 2003).

"While it is appropriate to examine ways to improve the structure and efficiency of the USOC, it is equally if not more important to examine its mission. The USOC has been many things to many groups. The tradeoffs of a broad mission versus a narrowly focused purpose are clear: The USOC can be a Jack-of-all-trades, and do it with reasonable success. If, however, we want it to be the best Olympic organization for the athletes, then we may have to lighten its load of

responsibilities. Any restructuring efforts would be premature before we consider what the Olympic movement should be and hear from all the relevant parties.”

Representative Cliff Stearns (R-Fla.), Chairman of the House Commerce, Trade, and Consumer Protection Subcommittee (Subcommittee on Commerce, Trade, and Consumer Protection, March 19, 2003).

“ . . . The USOC and its members to a degree have lost their unity of purpose, and need to recapture their sense of mission and to operate within the kind of community that the Olympic family needs to be.

. . . The charge of the USOC should be to ensure conditions enabling American athletes the unfettered opportunity to prepare themselves to compete internationally to the maximum of their abilities.”

Steinbrenner Commission Report at 2 (February 19, 1989)

“[T]here is not overall agreement or understanding as to what the role and purpose of the USOC actually is. Some believe that the USOC is a limited sort of umbrella organization, having as its sole purpose the raising of money to distribute to the NGBs for them to do with as they please. After all, the USOC doesn’t produce any athletes, only the NGBs do. Others assert that the USOC’s purpose is simply to win events—medals—which is used to define and measure success and serve as a source of pride for the organization and for the nation. And there is a third view, that the USOC has larger and broader responsibilities to the youth of American and the development of athletic programs at the grass roots level. *The absence of an overarching view of what the USOC is supposed to be doing makes the internal decision-making processes much more difficult.* The USOC volunteers and staff can’t be expected to march together if there is not even an agreement on where they are trying to go”

Statement of Donald Fehr (February 13, 2003 Senate Committee on Commerce, Science and Transportation) at 7, 12 (emphasis added).

“One issue that certainly needs study—and that will require Congressional action to change—is the rationalization of the United States Olympic Committee’s wide-ranging mission, powers, and jurisdiction granted in 1978 with the needs and circumstances of today. . . . [W]e must remember that, due to its mandated mission, the United States Olympic Committee must interact with its 78 member organization—of which only 38 currently manage Olympic sports. In many ways, the United States Olympic Committee was chartered to act as a privately funded “Ministry of Sports.” When considering reforms, it will be important to determine whether its structure should be changed to meet this expectation, or whether the expectation has become unrealistic in today’s changed circumstances.”

Statement of Anita L. DeFrantz (February 13, 2003 Senate Committee on Commerce, Science and Transportation) at 8.

“Lost in this disorder is the USOC’s primary mission to identify and support programs to benefit America’s athletes. Endlessly caught up in an environment which excludes rather than encourages inclusion of outside leadership and resources, the USOC has failed to reach its full potential.”

Statement of Donna de Varona (February 13, 2003 Senate Committee on Commerce, Science and Transportation).

“The USOC is an organization with a diverse membership, unique needs and limited resources. The constituent groups of the USOC range from National Governing Bodies of Olympic, Paralympic and Pan American sport to community-based organizations such as Boys and Girls Club. These diverse membership groups compete for the organization’s limited funding, representation and recognition. While the Olympic Team may appear as an integrated unit during Opening Ceremonies, the National Governing Body for each of the sports represented on that team are far fields apart. Each one competes with the others for sponsorships, media coverage, and even athletes themselves. Add to this mix the desire for non-Olympic sports to be added to the Olympic program, the special challenges of Disabled Sports Organizations, the particular needs of the armed forces, community based and religious entities, school and college communities, and state organizations. Only then can you begin to understand what differentiates the USOC from other charitable organizations, and why it needs a structure that will enable it to accommodate the needs of its members and fulfill the mission defined by the Olympic and Amateur Sports Act and expected by the American public.”

Statement of Harvey W. Schiller (February 13, 2003 Senate Committee on Commerce, Science and Transportation) at 4-5.

“There may be significant pressure for the USOC to take on responsibility (both organizationally and financially) for many sports and organizations that are currently not presented in the Olympic program. In light of this pressure and limited resources and abilities of any organization, a clear focus on the USOC’s primary mission is vital. There should be a very clear strategy and reason for each specific inclusion and support because inevitably every additional organization that the USOC is required to support and oversee, will make it more difficult to achieve its principal goals. As you are well aware, management time and financial resources are limited, and therefore opportunity cost must be weighed in the decision to include additional sports.”

Statement of Norman Bellingham to the Independent Review Commission at 3-4 (April 25, 2003).

“The current missions of the USOC are way too numerous, way too disparate and impossible to fulfill. These missions carry with them claims for resources, which include not only dollars but also something even more precious: time. And yet, the scarce resources are allocated so widely and thin that they cannot produce effective results . . . “

Submitted Testimony of Michael Lenard to the Independent Review Commission at 5-6 (April 25, 2003).

“One of the difficulties of the current USOC mission and organization is that they try to address a very broad spectrum of interests and objectives. Each time new objectives are added to the USOC charge its effectiveness is diluted.”

Statement of Ron Van Pool, President, USA Swimming, before the Independent Review Commission (April 25, 2003).

Since the Act’s passage in 1978, the world of Olympic sports has undergone substantial change. The profile of Olympic sports and the Olympic Games has increased exponentially. Cities now compete fiercely to host the Olympic Games, and organizations, however tenuous their relationship to the Olympic endeavor, seek to be affiliated. The budget of the USOC has increased, as have the number of individuals and organizations involved in USOC governance. The USOC has been increasingly called upon to do more, without any additional funding sources, while maintaining the caliber of support for existing obligations. In addition, the USOC’s culture has been fundamentally changed by this process, as has its focus. The Task Force is of the view that this process of scattering focus and resources must end if the USOC is to be successful in fielding winning Olympic and Paralympic teams in the twenty-first century.

2. Modifications in the Act and the Mission Statement

Having identified the Mission statement as a fundamental first issue, the Task Force reviewed the work of the Steinbrenner Commission, McKinsey, and other groups that have studied the USOC’s Mission and governance over the years. The Mission was discussed in every meeting of the Task Force and was reexamined and reconsidered after the Task Force received feedback and reactions from the members of the Board. The Task Force has several recommendations concerning the Mission statement.

a. Elimination of the Focus on the Organization and Renewed Emphasis on Athletes

The Task Force was unanimous in its view that the portion of the McKinsey-recommended Mission statement that relates to the operation of the USOC (“Lead the world’s best National Olympic Committee”), while a positive aspirational goal, takes the focus away from the success of United States athletes and their achievement and focuses on how the USOC compares to other national Olympic committees. It is the view of the Task Force that this portion of the Mission statement is significant, in that it reflects the focus of the many people involved in the governance of the USOC – on the Board, on the Executive Committee, on the twenty-two USOC committees, on them and their performance and not the performance that

counts – the performance of the athletes. Therefore the Task Force recommends that that portion of the Mission be eliminated.

b. Recommended Changes in the Purposes Specified in the Act

The Task Force focused tremendous attention on Section 2 of Article II of the USOC Constitution, which dilutes the effectiveness of the effort to focus the organization's Mission by effectively incorporating by reference all the purposes of Section 220503 of the Act as part of the Mission. Section 2 eliminates any hope of the clarity that Section 1 of that Article was designed to create. Even without Section 2 of Article II, the retention of all of those purposes in the Act, a document that takes precedence over the USOC Constitution, leaves the USOC facing requests from organizations and individuals who are not focused on advancing the interests of top-level Olympic or Paralympic athletes but believe they have an entitlement and the USOC has an obligation to them as a result of the statute.

It is clear that the USOC has never really attempted to fulfill directly several of the USOC purposes specified in the Act. At the same time, by helping United States athletes achieve competitive excellence and excel on a world stage in the Olympic Games, it is the view of the Task Force that the USOC does promote and encourage physical fitness and public participation in amateur athletic activities. When the United States athletes earned gold medals in gymnastics, young athletes all over the United States were inspired in great numbers to participate in tumbling and gymnastics classes and that promoted and encouraged physical fitness and public participation in gymnastics. The success of the USA Basketball "Dream Team" at the Olympic Games in Barcelona and the success of the United States women's soccer and basketball teams at the Olympic Games in 1996 and 2000 inspired interest and participation in basketball and soccer, again promoting physical fitness and public participation in athletics. Many Olympic athletes point to a moment in their youth when they watched a United States Olympian achieve or overcome great adversity as the moment when they were inspired to achieve an Olympic dream. There is no question that brilliant performances by United States Paralympians have dramatically increased public awareness of competitive opportunities for Paralympic athletes, thereby promoting and encouraging increased participation in those sports.

Therefore, if helping United States athletes achieve competitive excellence and thereby generating increased interest and participation in sports is viewed as sufficient performance by the USOC of some of the purposes specified in the Act, it is the view of the Task Force that those purposes are consistent with the Mission. If, however, those purposes include affirmative obligations to create, fund, oversee, and coordinate physical fitness programs and amateur athletic activities for all Americans, the USOC cannot achieve those purposes and to try to do so will continue to interfere with the USOC's effort to achieve its primary Mission.

Certain other purposes specified in the Act are viewed by the Task Force as mandates to help top-level Olympic athletes achieve sustained competitive excellence without any improper discrimination, in ways that will achieve diversity, and in ways that will make athletic opportunities available to top-level athletes, without regard to their sex, race, religion, or disabilities. It is the view of the Task Force that those positive goals of inclusion should remain part of the purposes, as they are part of the Olympic ideals.

It is the recommendation of the Task Force that the purposes of the USOC specified in Section 220503 of the Act should be modified to read as follows:

The purposes of the corporation are—

- ~~(1) to establish national goals for amateur athletic activities and encourage the attainment of those goals;~~
- ~~(2) to coordinate and develop amateur athletic activity in the United States, directly related to international amateur athletic competition, to foster productive working relationships among sports-related organizations;~~
- (4) to exercise exclusive jurisdiction, directly or through constituent members or committees, over—
 - (A) all matters pertaining to United States participation in the Olympic Games, the Paralympic Games, and the Pan American Games, including representation of the United States in the games; and
 - (B) the organization of the Olympic Games, the Paralympic Games, and the Pan American Games when held in the United States;
- (42) to obtain for the United States, directly or by delegation to the appropriate national governing body or paralympic sports organization, the most competent amateur representation possible in each event of the Olympic Games, the Paralympic Games, and Pan American Games;
- ~~(5) to promote and support amateur athletic activities involving the United States and foreign nations;~~
- ~~(6) to promote and encourage physical fitness and public participation in amateur athletic activities;~~
- ~~(7) to assist organizations and persons concerned with sports in the development of amateur athletic programs for amateur athletes;~~
- (83) to provide swift resolution of conflicts and disputes involving amateur athletes, national governing bodies, paralympic sports organizations, and amateur sports organizations, and protect the opportunity of any amateur athlete, coach, trainer, manager, administrator, or official to participate in amateur athletic competition;
- ~~(9) to foster the development of amateur athletic facilities for use by amateur athletes and assist in making existing amateur athletic facilities available for use by amateur athletes;~~
- ~~(10) to provide and coordinate technical information on physical training, equipment design, coaching, and performance analysis;~~

~~(11) to encourage and support research, development, and dissemination of information in the areas of sports medicine and sports safety;~~

~~(124) to encourage and provide assistance to amateur athletic activities for women;~~

(5) to encourage and provide assistance to amateur athletic programs and competition for amateur athletes with disabilities, including, where feasible, the expansion of opportunities for meaningful participation by such amateur athletes in programs of athletic competition for able-bodied amateur athletes; and

~~(136) to encourage and provide assistance to amateur athletes of racial and ethnic minorities for the purpose of eliciting the participation of those minorities in amateur athletic activities in which they are underrepresented.~~

c. Specific Reference to Paralympic Athletes

The Task Force spent a tremendous amount of time focusing on the USOC Mission statement's reference, as recommended by the McKinsey Report and approved by the Board, to "Olympic athletes." Some people involved in the Olympic movement consider Paralympic athletes to have stature similar to Olympic athletes and that Paralympic athletes are thereby already included in the current Mission statement. Others do not. The 1998 modifications in the Act gave the USOC responsibility for United States participation in the Paralympic Games. At the time, it was felt that a separate national Paralympic committee for the United States could not generate enough revenue to assume that responsibility and be self-sustaining in the short run. The USOC is proud of the fact that it is the only national Olympic committee that has taken on the responsibility of serving as a national Paralympic committee. The Task Force felt that the Mission statement should clearly reflect the USOC's responsibility (a) to help Paralympic athletes achieve sustained competitive excellence and (b) to be accountable for the United States participation and performance in the Paralympic Games.

d. Absence of a Specific Reference to Pan American Games in the USOC Mission Statement

The current USOC Mission statement does not make specific reference to the Pan American Games. However, certain of the USOC purposes specified in Section 220522 of the Act and other provisions of the Act refer to "the Olympic Games, the Paralympic Games, and the Pan American Games." *See, e.g.*, 36 U.S.C. §§ 220503(3)(A)-(B), 220505(c)(2)-(5), 220506(a)(4), (c)(3)-(4), 220509(a), (b)1(A), 220521(a), 220522(a)(14), 220523(a)(6)-(7), 220524(4), 220528(c)(1)(A)-(B).

The McKinsey Report and the other reports about USOC governance never recommended explicit reference to the Pan American Games in the USOC Mission statement. The Task Force never recommended removing the Pan American Games from the Mission statement. The Task Force never recommended (and does not recommend) removing any reference to the Pan American Games from the Act. The Task Force does not recommend that the USOC's responsibilities with respect to the Pan American Games be altered in any way. The

Task Force wants to be clear that it does not in any way intend to recommend that the USOC reduce its commitment to exercising exclusive jurisdiction over and responsibility for United States participation in the Pan American Games.

The Pan American Games and their significance have changed over the twenty-five years since the Amateur Sports Act was first passed. The Cold War has ended and the international politics of participation and success in sport have changed. Other significant international competitions have been established. In many sports, world championships and other international events, like the World University Games, have become more important. As barriers dividing the world have come down, international competitions limited to one continent or one region of the world have become less important. The Pan American Games remain very important with respect to United States international relations. In some Olympic sports the Pan American Games are elite developmental events, a key preparatory or qualification event on the road to the Olympic Games. In other sports the world championships or the World University Games or other international competitions may be more important to athletes preparing to compete for the Olympic Games. Unlike the Paralympic and Olympic Games, the Pan American Games are hemispheric games that are not conducted on a standalone basis. In addition, the IOC recently indicated that it did not support adding the seven (7) non-Olympic sports that are included in the Pan American Games to the program of the Olympic Games in the near future. *See International Olympic Committee, Olympic Programme Commission Executive Board Report, August 2002*

The Task Force believes that consistent with focusing the USOC on its primary Mission, the Board should place its primary focus on the Olympic and Paralympic Games, above and beyond all other competitions.¹ To the extent that a focus on any other event interferes with achievement of the primary Mission, the primary Mission should take precedence. That being said, the Pan American Games and many other international competitions generally do not interfere with, but rather are an essential part of, the overall effort to achieve sustained competitive excellence and lead the medal count in the Olympic Games. Only by competing and succeeding in other high level international competitions can most athletes prepare properly for the Olympic Games. Therefore, while United States participation in the Pan American Games is in many situations a key component of the primary Mission, it remains the view of the Task Force that the importance of the Pan American Games is in its role as an event in the pipeline that leads to Olympic success and that United States participation in the Pan American Games should reflect that view.

“For the Olympic sports, the Pan American Games need to fit into their competitive pipeline. If they need to take a team down there to get ready for the next Olympic Games, we need to do that and the current rules do not permit that. Under the athletes’ right to compete, we are not able to plan long and hard, and it

¹ This does not mean, however, that there should be an expectation of equal funding for Olympic and Paralympic sports, just as there should not be any expectation that all Olympic sports should receive equal funding. It is the strong recommendation of the Task Force that Olympic sports, Olympic athletes, and the Olympic Games should remain the highest priority of the USOC.

puts us at a great competitive disadvantage to the rest of the world. Sometimes the Pan American Games are qualifiers for the World Championship or the Olympic Games, but for some sports, it is a little different. Pan American Games are a soft underbelly of how sports are accumulated in the Olympic family. For a long time, it was exceedingly easy to get into the Pan American Games. Every time a Pan American sport, a decade ago, came into the U.S. Olympic Committee, it met resources automatically there.

With respect to Pan American Olympic sports, I probably would treat them very differently. I think if they are not in the Olympic Games and the fundamental focus is the Olympic Games, that's more of a sport for all concerned. There are other sports that are members of World Games, and I think the Pan American Games are more like that than they are the Olympic Games."

Testimony of Michael Lenard, former Vice President of the USOC, to the Independent Review Commission at 30-31 (April 25, 2003).

As soon as the Task Force reported to the Board that the Task Force was recommending that there be an explicit reference to Paralympic athletes, concern was expressed by some representatives of NGBs for sports that are not on the Olympic program, but that are Pan American sports. There are seven such sports – bowling, karate, men's softball, racquetball, roller sports, squash, and water skiing. Individuals associated with those sports expressed concern that the Mission would not mirror the language in various places in the Act that refers to "Olympic Games, Paralympic Games, and Pan American Games." *See, e.g.*, 36 U.S.C. §§ 220503(3)(A)-(B), 220505(c)(2)-(5), 220506(a)(4), (c)(3)-(4), 220509(a), (b)1(A), 220521(a), 220522(a)(14), 220523(a)(6)-(7), 220524(4), 220528(c)(1)(A)-(B).

The underlying issue is that the NGBs for those non-Olympic sports presently receive funding from the USOC every year, and they are engaged in an ongoing effort to increase the funding by the USOC for their organizations. The concern is that the inclusion of a specific reference to "Paralympic athletes" in the Mission Statement without adding a specific reference to "Pan American athletes" would damage their organization or their sports. They point out that in the past Pan American sports not on the Olympic program have been added to the Olympic program, that United States involvement in the Pan American Games is important to the USOC's international relations with national Olympic committees in other countries that participate in the Pan American Games, and the Act gives the USOC exclusive responsibility for United States participation in the Pan American Games. There have been misleading claims made about the Task Force trying to disenfranchise the Pan American sports organizations, "dropping" Pan American sports and athletes from the USOC Mission and the Act, and the USOC ignoring its responsibility to the tens of millions of Americans who bowl, play racquetball, men's softball, and squash, engage in roller sports including in-line skating and in-line hockey, participate in the martial art and sport of karate, or water ski.²

² "It should be noted that these seven NGBs have a paid membership of over 7.5 million in the U.S., that over 100 million U.S. citizens participate in these sports, that over 150 million people in the Western Hemisphere participate and over 350 million people participate

The Task Force has heard and studied the concerns that have been expressed. It is important to the Task Force that it be very clear what the Task Force is and is not recommending. First and foremost, the Task Force did not recommend removing Pan American athletes or the Pan American Games from the Mission Statement – they are not in the current Mission Statement. The Task Force is not recommending that the references in the Act to the Pan American Games or the USOC's exclusive jurisdiction over United States participation in the Pan American Games be altered in any way. The USOC should continue to field teams for the Pan American Games. The Task Force believes the USOC's commitment to Santa Domingo in 2003 and Rio in 2007 should continue unabated. In particular, in sports for which the Pan American Games are elite developmental events or are qualifying events for the Olympic Games or are important in other ways to the USOC achieving the primary Mission of the organization, successful United States participation in those events will be very important. The USOC is aware of the efforts being made by the international federations for Pan American Games-only sports to place those events on the Olympic program, and is aware that certain current Olympic sports were at one time Pan American Games-only sports. If any or all of the seven (7) Pan American-only sports are added to the Olympic Games, or if such addition appears imminent, that should affect the relationship of support of athletes in those sports to the primary Mission of the USOC. The Pan American Games and United States participation in and support of those games are also important for USOC international relations and that should be considered by the new Board in making decisions and establishing policies. The Task Force believes the USOC should continue to encourage participation by United States athletes in top level international athletic competitions.

At the same time, the USOC's future financial support of the Pan American Games and Pan American NGBs for sports that are not on the Olympic program should be based on the new Board's assessment of the relationship between support and achieving the USOC's primary Mission.³ The fact that many Americans bowl or play men's softball does not mean that their participation in those sports or the fact that those sports are enjoyable recreation has anything to do with helping top-level United States athletes achieve sustained competitive excellence or that those sports should be a priority for the U.S. Olympic Committee. The fact that specific references were included in the Act in 1978 to the Pan American Games should not prevent the Board from making decisions that best advance the Olympic movement in the United States twenty-five years later.

worldwide. The IOC and the National Olympic Committees of over 100 countries officially recognize these seven sports.” Statement submitted by Tony Baggiano, Chair of the Pan American Sports Council of the USOC, to the Independent Review Commission at 2 (April 23, 2003).

³ The IOC recognizes many sports, and their governing organizations, not on or related to the program of the Olympic Games, yet the *Olympic Charter* does not mandate that NOCs provide funding to domestic sports governing bodies for these sports.

e. Preservation of the Olympic Ideals and Inspiring all Americans

As a first matter, the current USOC Mission statement refers to preservation of the Olympic “ideal.” The Task Force recommends that “ideals” should be substituted for “ideal” because there exists more than one Olympic ideal.⁴

The Task Force spent a great deal of time discussing Olympic ideals, and is of the view that those ideals include that the USOC should conduct itself in accordance with the highest ethical standards, as well as in accordance with the other ideals of the Olympic movement. The Task Force views preservation of the Olympic ideals as an active obligation.

The Task Force also recommends maintaining in the Mission statement the USOC obligation to inspire all Americans, but believes the Mission statement should be modified to make it clear that the primary ways in which the USOC should inspire all Americans are not by separate programs, but rather by the public awareness of the stories, accomplishments, and performances of United States Olympians and Paralympians in the most competitive international athletic events in the world.

After the Task Force proffered its preliminary recommendations to the Board, the Task Force received the suggestion from a member of the AAC that the USOC and its athletes also inspire Americans by public awareness that the USOC and United States athletes conduct themselves and their business and personal affairs in accordance with the Olympic ideals. The athlete recommended that the obligation of preserving the Olympic ideals be identified earlier in the Mission to make that point. The Task Force has considered and discussed that suggestion and endorses it.

After the Task Force issued its Preliminary Recommendations, some concerns were raised that the Mission statement’s mandate that the USOC “Help” United States athletes might be too vague, as it does not specify how the USOC should help – by giving money to NGBs, by giving financial support directly to athletes, by building training centers, by conducting or funding sports science research, by hiring its own coaches, by funding grass roots efforts, and so on. The PowerPoint presentation (Appendix II to this Report) and this Report itself identify and explain some of the ways that the Task Force believes that the USOC helps and should continue to help United States athletes. For example, the first key implementation element and way to help United States athletes achieve sustained competitive excellence and success at the Olympic and Paralympic Games is by partnering with the National Governing Bodies and organizations responsible for Paralympic sport governance. The Task Force has considered and discussed

⁴ See, e.g., International Olympic Committee, *Olympic Charter*, Fundamental Principles 2, 6. at 8, 9 (November 29, 2002). “Olympism is a philosophy of life, exalting and combining in a balanced whole the qualities of body, will and mind. Blending sport with culture and education, Olympism seeks to create a way of life based on the joy found in effort, the educational value of good example and respect for universal fundamental ethical principles The goal of the Olympic Movement is to contribute to building a peaceful and better world by educating youth through sport practiced without discrimination of any kind and in the Olympic spirit, which requires mutual understanding with a spirit of friendship, solidarity and fair play.”

whether the Mission statement itself needs more specification of how the USOC should help United States athletes. The recommendation of the Task Force is that the Mission statement should not be more specific. The Mission statement should be aspirational and should leave decision making about how best to achieve the Mission to assessment and implementation by the Board and the CEO as discussed in much greater detail below.

f. Recommended USOC Mission Statement

Therefore, the Task Force recommends replacing all of Article II of the Constitution with the following Mission statement:

Help U.S. Olympic and Paralympic athletes achieve sustained competitive excellence and preserve the Olympic ideals, and thereby inspire all Americans.

g. Key Implementation Elements by Which the USOC Achieves Its Mission

The Task Force was in complete agreement that the role of the Task Force is to recommend changes in the governance structure of the USOC and its Mission, while decisions about how best to achieve the Mission of the USOC were beyond the scope of the Task Force. Those issues are properly left to the new Board once it is constituted. Nevertheless, the Task Force addressed issues related to the implementation of the Mission, to provide completely non-binding guidance to the new Board.

The Task Force started by focusing on the key implementation elements – the primary ways in which the USOC seeks to achieve its Mission. The USOC partners with NGBs, and will partner with Paralympic Sports Organizations (“PSOs”) as they are formed, to identify, support, and train the top-level Olympic and Paralympic athletes of the future. While the USOC has exclusive responsibility for all matters pertaining to United States participation in the Olympic and Paralympic Games, and is responsible for obtaining for the United States the most competent amateur representation possible in each event in those games, the primary means by which the USOC seeks to accomplish those purposes is, and will continue to be by partnering with NGBs and organizations responsible for Paralympic governance and providing select resources and other support to those organizations and their athletes.

Beyond partnering with NGBs through direct financial support of NGB programs, operations, and initiatives, the USOC “partners” with and supports NGBs in other ways. The Task Force recommends that the USOC continue to provide select services to NGBs at a centralized level or by bringing together groups of NGBs in situations that provide efficiencies or economics of scale or similar benefits or enhancements. These services need to be identified, pursued, and evaluated in ways that are focused on achieving the Mission with clear objectives and accountability. These services may include:

- sport sciences;
- sports medicine;
- sport technology;

- coaching education and training;
- sports business management; and
- such other services as may be identified.

If efficiency is achieved, it is important that NGBs internalize at least some of the costs of these additional services. The USOC should commit the funds and other resources to provide such services only when the benefit exceeds the costs, including the opportunity cost of other initiatives, services and programs not pursued or for which support must be reduced to provide these services. These are issues of policy and strategic planning to be addressed by the new Board and the CEO.

The USOC is responsible for enhancing and protecting the Olympic brand and the overall perception of the Olympic movement in the United States. By protecting and enhancing the brand, the USOC promotes the long-term financial success of the organization. The USOC is also responsible for generating the revenues necessary to fund its operations, support the Olympic and Paralympic movements, and to achieve the Mission. Protection and enhancement of the Olympic brand is necessary for the USOC to increase its capability to generate revenues.

The USOC, as the NOC in the United States, is also responsible for interfacing with the IOC.⁵ More broadly, it is the responsibility of the USOC to interface and cooperate with the IOC, the International Paralympic Committee, and other international organizations. That cooperation and interaction focuses on many different issues, including developing positive long-term relationships with those organizations, their members, and their staffs that will benefit United States athletes, both present and future. The USOC is also responsible for United States efforts to host the Olympic Games, the Paralympic Games, the Pan American Games, and other international sports competitions, and with that responsibility comes the duty to select and support United States bid cities seeking to serve as the hosts for such competitions. *See, e.g.*, 36 U.S.C. § 220505(C)(2). The USOC also has a responsibility to help to advance and improve the IOC and other international sports organizations, and a key aspect of that responsibility involves ensuring that the USOC's interests are represented and that some of the many highly qualified members of the United States Olympic sports community and associated individuals participate in the operations of the IOC and other international sports organizations, to provide assistance, serve on committees, and become members and officers of those organizations.

At the same time, the USOC is responsible for evaluating and supervising the performance and compliance with the Act of the NGBs for each of the sports on the Olympic program. Providing governance means, in the first instance, exercising exclusive jurisdiction over United States participation in the Olympic, Paralympic, and Pan American Games, including the representation by the athletes of the United States in those games. It also means exercising exclusive jurisdiction over the organization and conduct of the Olympic, Paralympic, and Pan American games when those games are held in the United States. This involves the selection and support of cities and larger geographic areas seeking to host those games.

⁵ The USOC and IOC are in many ways partners in the substantial marketing, television broadcasting, and promotional effort relating to the Olympic Games and the Olympic ideals.

Providing governance also means swift, fair, and proper resolution of conflicts that arise that relate to the Olympic movement in the United States and the people and organizations involved in that movement. The Act also gives the USOC responsibility for governing sport by taking steps that are necessary to enter teams or athletes or to authorize the participation of teams or athletes in other international competitions and to provide additional support when the Board and management determine that such support is crucial to fulfilling the overall Mission of helping United States athletes achieve success and sustained competitive excellence in the Olympic and Paralympic Games.

All of these activities and responsibilities are the key means by which the USOC implements and achieves the USOC's Mission. Precisely how to utilize and balance these activities will ultimately be the responsibility of the new Board and CEO.

h. Defined Performance Objectives to Accomplish the Mission

Having identified the Mission for the organization and the general means for achieving that Mission, the Task Force proceeded to identify specific defined objectives to accomplish the Mission of the organization.

However, it is extremely important for the Task Force to make it clear that it is not the recommendation of the Task Force that any of these quantifiable objectives be pursued "at all costs." All of these objectives should be pursued and achieved "in a manner that preserves and advances the Olympic ideals," as specified in the Mission Statement. By that the Task Force means, among other things, that the USOC must not ever put winning medals ahead of principles of honesty, integrity, and fair play. All of these objectives should only be pursued in ways that are consistent with the USOC's obligation to engage only in ethical behavior that is completely beyond reproach or question, that sets an example of avoiding any conduct or behavior that might suggest even the appearance of impropriety in the ways that the USOC conducts its business and manages its affairs, and that is consistent with Olympism. The USOC should also conduct its affairs in ways that support and encourage the promotion of sports ethics, ensure that in sports the spirit of fair play prevails and violence is banned, leads the fight against doping in sport in responsible ways that protect the rights and dignity of athletes, takes steps to prevent endangering the health of athletes, and opposes any political or commercial abuse of sport or athletes. These are just some of the roles of the USOC, which are similarly obligations of the IOC. *See, e.g., International Olympic Committee, Olympic Charter, Chapter 2 (Roles of the IOC) at 10-11 (November 29, 2002).*

B. GOVERNANCE

Summary of Recommendations

Background and Basic Concepts of Governance

- The USOC must align responsibility, authority, and accountability.
- One person should be given ultimate authority and responsibility for achieving the USOC's Mission.
- Governance costs must be reduced.

- The primary duty of the governance and leadership of an organization should be to the organization.
- Governance should be done by a few, while operations may be performed and assisted by many.

The Creation of an Effective Olympic Assembly

- The USOC should create an Olympic Assembly.
- The Olympic Assembly will provide a mechanism for USOC leadership, officers, and committee members to communicate with the many diverse sport organizations.

Membership of the Assembly

- The Olympic Assembly will be comprised of delegates from the following constituencies—the Athletes' Advisory Council, the National Governing Body Council, the Community-Based Multisport Organizations, the Education-Based Multisport Organizations, the Armed Forces Organizations, and the Affiliated Sport Organizations.
- The Olympic Assembly will have an advisory and communication role within the USOC and the United States Olympic community.
- The Olympic Assembly should not vote on any issues relating to the governance of the USOC.

The Councils of the Olympic Assembly

- The Olympic Assembly should meet annually at the same time and place where the Board will hold one of its meetings.
- The Community-Based Multisport Organizations, the Education-Based Multisport Organizations, the Armed Forces Organizations, and the Affiliated Sport Organizations should form a single council, perhaps named the Multi-Sport Organization Council.

Public Sector Members Should be Replaced by the Independent Directors on the Board of Directors

- There should be no public sector membership on the Olympic Assembly because the Olympic Assembly will not be called upon to vote or make decisions and because of the significant representation of independent directors on the new Board.

Conduct of the Olympic Assembly

- One member of the Board shall serve as the Chair of the Olympic Assembly each year.
- At its annual meetings, the Olympic Assembly should provide input to the USOC Board of Directors and CEO.
- At the annual meeting, the Board of Directors, the CEO, the AAC, the Multi-Sport Organization Council, and the NGB Council should also report to the Olympic Assembly about their operations, strategic planning, policies, and other plans and agendas for the future of the USOC and their organizations.
- The AAC, NGB Council, and the Multi-Sport Organization Council can request that items be placed on the agenda of Board meetings.

Need to Eliminate Constituent-Based Governance and Replace it with an Independent Board

- The USOC should eliminate its system of constituent-based governance and replace it with an independent, smaller, focused Board of Directors.
- It has become clear that a primary reason the Board has been an ineffective governing body is the fact that a significant majority of the members of the Board represent more than one constituency. These members routinely face unavoidable conflicts of interest while serving on the Board and often make decisions that are in the best interests of their other constituencies but may not be in the best interests of the USOC.
- Each member of the USOC Board should be independent of USOC management.
 - Four of the members of the Board should be “independent directors,” as defined in detail in Section IV-B-3.
 - Once selected to the Board, all AAC and NGB personnel must sever their ties to the organizations from where they were nominated.

Function and Membership of the Board of Directors

The Function of the Board

- The primary functions of the Board should be to:
 - Oversee the management of the USOC and its affairs
 - Represent the interests of the United States and its athletes and sports governing bodies by providing the USOC with guidance
 - Focus on long-term objectives rather than day-to-day management.
- The paramount duty of the Board should be to select a well-qualified and ethical CEO and to oversee the CEO and his or her management of the USOC.

The Size and Composition of the Board

- It has become an accepted principle of good governance that smaller Boards are more efficient and more effective,
- The Board should consist of 11 total members:
 - 4 independent directors
 - 2 athlete directors
 - 2 National Governing Body directors
 - International Olympic Committee directors (all United States International Olympic Committee members—currently 3)
- All directors will have one vote, except the International Olympic Committee directors, who shall all share equally a single vote.

Director Independence

- Independent directors must be determined to have no material current relationship with the USOC, either directly or through an organization that has a material relationship with the USOC.

Process for Selecting Members of the Initial Board—the Nominating and Governance Committee

- Is important that the initial selection of Board members be made by those whose primary, if not sole, responsibility would be to select members of the initial Board. The Task Force therefore recommends that the Nominating and Governance Committee select the members of the initial Board.
- The Task Force also recommends that the Nominating and Governance Committee identify and evaluate prospective candidates for the Board.
- The initial Nominating and Governance Committee shall consist of five individuals, all of whom must meet the definition of “independent director,” selected one apiece by each of the following groups: the AAC, NGB Council, the current USOC Public Sector members of the Board, the Independent Review Commission, and the Task Force.
- The Nominating and Governance Committee must select one candidate for each athlete and NGB position from among the nominations of the AAC and the NGB Council, including any AAC or NGB Council directors eligible for re-election to the Board. The Nominating and Governance Committee is free to consider whatever it determines appropriate for selecting candidates for nomination to the independent director positions.
- The Nominating and Governance Committee should select a diverse Board with members who possess the highest personal values, judgment and integrity, an in-depth understanding of athletic competition and the Olympic ideals, and diverse experience in key business, financial, and other challenges that face the USOC.

Subsequent Membership of the USOC Nominating and Governance Committee

- The initial five members of the Nominating and Governance Committee will serve for an initial term of just over two years, until July 1, 2006.
- From July 1, 2006, forward, every two years new membership of the five-member Nominating and Governance Committee will be selected: two Board members not up for re-election selected by the Board and one member meeting the “independent director” standard each by the AAC, NGB Council, and Multi-Sport Organization Council.

The Corporate Officer

- The Chair of the Board of Directors, who shall be elected by the members of the Board, will serve as the principal officer of the Board and set the meetings and the meeting agendas.
- The Chair of the Board of Directors shall exercise ceremonial or representational functions in the international context or designate others to do so, but the CEO shall remain responsible for all operational aspects of international relations.

Recommended Terms of Office for the Board Members

- The Task Force believes that four-year terms, as has been the tradition in the USOC, are not long enough, and that it is important for the members of the Board to change regularly.

- The Task Force recommends that the Board members' terms be six-year staggered terms, with approximately one-third of the Board membership going out of office every two years (except for the IOC members who go out of office when their IOC membership ends).
- No member of the Board, other than the IOC members, shall serve more than one six-year term, unless elected as Chair of the Board.

Role of the Olympic NGBs and the Athletes Advisory Council in Questions Related to the Olympic Games

- In formulating its recommendations, the Task Force examined and addressed certain provisions in the *Olympic Charter* regarding the role of the Olympic NGBs and the AAC.
- The Task Force strongly believes that its recommendations pertaining to these matters satisfy the spirit and the substance of the Olympic Charter.

Committees

- The Task Force recommends that initially there shall only be four standing committees: Audit, Compensation, Ethics, and Nominating and Governance.
- Membership on committees should not exceed five (5) individuals.
- With respect to other committees, the Task Force recommends that, in general, the business of the USOC should be conducted by full time professional staff members.
- The Task Force recommends that there shall be no Executive Committee or other committees with authority delegated from the USOC Board of Directors.
- The CEO may appoint such advisory task forces or committees as the CEO believes appropriate.
- In limited circumstances, the Board may appoint additional committees or task forces.

Management

- The Board shall hire and oversee the CEO.
- The CEO is the leader of the USOC management and should be vested with the authority to make final decisions on behalf of management.
- The CEO, as the person accountable for the performance of the organization, is responsible for determining what responsibilities and authority should be performed directly by the CEO and what should be delegated to others working under the CEO's supervision. Throughout this report, when there is reference to the CEO being responsible for doing something, it is always the case that the responsibility lies in the first instance with the CEO and can be performed by the CEO or his or her designee.
- The CEO shall be responsible for and manage all staff functions.
- If the new Board determines that having both the title of CEO for domestic purposes and the title of Secretary General for international relations purposes would aid the CEO, the Board can assign him or her that title.

Board Meetings

- The Board should meet at regularly scheduled meetings at least four (4) times per year, once in conjunction with the Olympic Assembly.

- The Chair of the Board, in keeping with the Board's plan and in consultation with the CEO and the Chairs of the committees, determines the agenda for the Board meetings.
- To encourage open discussions, the Board shall hold not less than two (2) sessions per year in executive session without the CEO present. And, at every meeting the Board shall have a session with the CEO present, but no other USOC staff.

Director Access to Management and Outside Advisors

- The USOC's senior management team should attend Board meetings on a regular basis. All contact with members of the USOC's management team, other than CEO, initiated by Board members outside of the Board meetings should be directed to the CEO.
- The Board and the committees have the authority to retain such outside counsel, auditors, experts, and other advisors as they determine necessary to assist them in the performance of their functions.

Communications with the Board

- The USOC should publish on its website a mailing address and an e-mail address for communications directly with the Chair of the Board.

Director Orientating & Continuing Education

- Directors should participate in an orientation program to assist in familiarizing themselves with the business of the USOC and their responsibilities as directors.

Board Performance Evaluations

- The Board should conduct a vigorous and structured annual self-evaluation to assess its effectiveness, based on criteria developed by the Nominating and Governance Committee and approved by the Board.

Removal of Members of the Board or Committees

- There should be streamlined procedures for removing a Board or committee member who is unwilling or unable to attend meetings on a consistent basis.
- There should be fair procedures concerning removal of Board or committee members "for cause." If a Board or committee member is alleged to have violated the Code of Ethics or other USOC policies concerning behavior or has engaged in conduct that reflects badly on the USOC, that person should be advised of the allegations and should have an opportunity to be heard before the full Board.
- The Bylaws should be clear that proper expression of views contrary to the majority or proper disclosure of improper conduct by those associated with the USOC must not constitute the reason for removal of a Board or committee member.
- The Bylaws should have standard provisions addressing the removal and replacement of Board and committee members in the event they die, tender their resignation, become mentally incompetent, or otherwise become unable to continue to serve.
- There should be provisions for removal or consideration of removal of Ethics Committee members or independent directors on the Board in the event they enter

agreements or relationships or accept employment that renders them no longer independent.

- The new Board should examine these issues and determine an appropriate, streamlined, and fair process for dealing with the possibility of removal of directors and committee members that is consistent with these principles.

Compensation Committee/Management Evaluation & Succession

- The Compensation Committee shall conduct an annual review of the performance of the Chair of the Board and the CEO.
- In an annual basis, the Compensation Committee and the Board should review management succession planning with the Chair and CEO.

Need for Increased USOC Oversight and Supervision of Performance of National Governing Bodies

- The USOC must do a better job of fulfilling its obligations under the Act to review and improve the performance of the NGBs, as the NGBs have the primary responsibility for supporting top-level athletes in the various Olympic sports.

International Relations

- International relations in the Olympic movement must be integrated by the CEO with all other USOC initiatives to develop an overall, coordinated strategy for accomplishment of the Mission and the goals and objectives of the USOC, both in the short run and for the long term.

The Cost Effect of These Changes

- If the governance changes recommended by the Task Force are fully implemented, the USOC could save over \$1 million per year in governance costs.

Transition

- The changes recommended in this report should be implemented as fast as possible, and no later than by the Spring of 2004.

Recommendations

1. Background and Basic Concepts of Governance

After addressing the Mission of the USOC, the process of identifying what it is that the USOC should be trying to accomplish, the next step in the Task Force analysis was to focus on the structure of the USOC and the governance of the organization. The Task Force studied best practices concerning corporate governance for both for profit and not for profit organizations, and consulted with experts in the field of corporate governance.

The governance structure as it presently exists is fatally flawed. As a first matter there is simply too much governance structure. 124 Board members and a 23-member Executive Committee, along with 22 other committees with 192 members all seek to guide and oversee the

operations of the organization. The governance structure has made it impossible for the USOC to operate efficiently or effectively.

“From the point of view of the Disabled Sport Organization Members, the impact of the present governance structure has resulted in a lack of focus on Paralympic Sport; no development of clear goals and objectives for Paralympic Sport; no development of an effective marketing and fundraising plan; and drastic under funding of the Paralympic effort.

ANY change from the present structure will be an improvement. We need to move toward a board that can look at the big picture, set achievable goals and then hold the professional staff and member organizations accountable for implementing those goals.”

Statement of Kirk M. Bauer, Director of Disabled Sports USA to the Independent Review Commission at 3 (April 25, 2003).

Another fundamental USOC problem is the absence of clear areas of responsibility and an absence of clear lines of authority. The Constitution and Bylaws and other governing documents give authority to multiple individuals and committees for a single area of responsibility. International relations is in some ways the province of the President, who can perhaps direct the International Relations Committee and the International Relations staff of the USOC, Bylaws Chapter I §1, Chapter XX § 2, and at the same time the CEO is responsible for overseeing the International Relations staff and his performance review is based on how he or she conducts that oversight. Bylaws Chapter I § 5. Working with NGBs to oversee their compliance with the Act and the Constitution and Bylaws is the responsibility of the USOC staff, but that responsibility is shared with the Membership and Credentials Committee, the Executive Committee, and the Board. Constitution, Article XIII § 1; Bylaws Chapters II § 1, XXII § 2. The staff reports to the CEO, but is also called upon to serve the Board, the Executive Committee, and the many committees and their members, without clear direction as to which lines of authority are primary and whether the committees' roles are oversight or operational.

Because of the size of the Board and the Executive Committee, they are virtually incapable of performing long range strategic planning or taking decisive action in times of crisis. Because essential functions like changing the Constitution and Bylaws reside with a 124-member Board, the governance structure is anything but nimble. Board meetings bear more resemblance to a political convention than to a meeting of business leaders charged with making strategic decisions to advance the interests of the Olympic movement in the United States.

“. . . The board, we need to have a real board. It needs to be smaller. It needs to be less constituency-based, but the board needs to be flexible. There are some boards I serve on that are exceedingly active in times of crisis. And when things are working in due course, you don't have to be active with the CEO.”

Testimony of Michael Lenard, former Vice President of the USOC, to the Independent Review Commission at 30-31 (April 25, 2003).

“The USOC . . . has evolved into a cumbersome, multi-tiered, two-track structure, one of which is a 123-member, unwieldy and unfocused Board of Directors headed by a volunteer President, and a 21-member Executive Board. The other track is a large professional staff of nearly 500 people headed by a paid CEO. The two tracks often operate independently at best and cross-purposes at worse. Like the geometric principle of two parallel lines meeting only at the point of infinity, it often seems that the same principle applies to the two branches of the USOC. . . . No one knows who should report to whom and who is responsible for what.”

Statement of Donna de Varona (February 13, 2003 Senate Committee on Commerce, Science and Transportation).

For an organization to achieve its potential, it should be directed by individuals who are all seeking to help the organization achieve that potential. The primary duty of the governance and leadership of the organization should be to the organization. That is not the case in the organization and structure of the USOC. With the minor exception of the few “public sector” members of the Board, the “volunteers” who serve on the Board and the many USOC committees all have divided loyalties, governing the USOC on behalf of organizations with interests that often diverge from the interests of the USOC. In many cases they are picked precisely because of their divergent interests, because the individuals are selected because of their affiliations with particular organizations or constituent groups.

Accountability requires some ability of the reviewing group to critique and provide guidance to the group or individual being reviewed. In the case of employees, that review process may affect compensation, promotions, and other benefits, and thereby reward effective performance while identifying areas in which improvement is needed. In the USOC structure there has been no meaningful review of the performance of the “volunteer” officers, the Board, the Executive Committee, the many other USOC committees or the members of those committees. Because the members of the Board, the Executive Committee, and the other USOC committees are “volunteers” and were selected or supported by various constituent organizations, they often resist efforts to hold them accountable to the USOC or accountable for the USOC achieving what the leadership of the USOC considers the proper direction of the USOC. Instead, those Board and committee members may perceive their purpose to be to serve their constituencies, giving primacy to how the USOC’s activities may affect the constituent groups represented by those individuals. In many cases, the performance of those Board and committee members is reviewed by their constituents and decisions made or positions taken on behalf of the USOC may be punished by the constituency if it is perceived that the representative is not giving primacy to the interests of their constituency. As a result, the USOC has not been governed by a group focusing on the best interests of the USOC as their primary concern.

Governance should be done by a few, while operations may be performed and assisted by many. Rather than integrate valuable “volunteers” into the operations of the organization, many additional positions of governance were created, yielding a ship with many captains and

oversight organizations, without proper coordination or consistency, all directing parts of the ship and the ship's crew in different directions

The USOC is responsible for many important areas of responsibility. An historical system has spread responsibility for many of those functions over a broad array of individuals and groups of committee members, most of whom are unable to commit full time to the business of the USOC, and many of whom only commit a few days each year. In addition, the inefficiency of the USOC governance structure has caused a tremendous amount of time and resources to be expended on the politics of the organization and the process of organizing meetings and bringing the disparate participants in the governance structure together on a periodic basis to conduct the business of the USOC.

This governance problem is so pervasive it has become a cultural issue at the USOC. The governance structure has resulted in a culture based on quid pro quo as a method of accomplishing corporate action, and governance. This culture must be stopped, and the recommendations of the Task Force are designed to address this.

As a first matter, it is the view of the Task Force that the governing documents and the structure of the USOC must align responsibility, authority, and accountability for the organization to achieve its potential. That means that the person or the part of the organization that is given responsibility for a task or a function or a goal must also be given the necessary authority to perform that task, serve that function, or attain that goal. Then, that same person or part of the organization must be required to report and to be evaluated based upon the results achieved. That person or part of the organization must be held accountable for the successes and failures and all the results yielded. The Task Force recommends that the Constitution and Bylaws be combined into one document entitled the "USOC Bylaws."⁶ The new single document will be simpler and clearer, and will contain less micromanaging, which should permit the USOC to be a nimbler and more responsive and responsible organization.

If the person who is responsible has the authority but is not reviewed and is not held accountable for the results, that governance structure is not likely to yield the best results. Similarly, if a person is given responsibility but is not given the authority necessary to get the job done, it is not fair or productive to try to hold the person accountable for the results. At the same time, if one person is given the responsibility, but his or her efforts are hindered or disrupted because someone else or some other group has overlapping responsibilities or authority, or the ability to override the decisions of the person with primary authority, that person can rightfully object to any effort to hold him or her accountable, on the theory that the results were not really his or her fault because the others with overlapping authority prevented the attainment of the desired results.

⁶ The Act presently refers to the USOC "Constitution." *See, e.g.*, 36 U.S.C. §§ 220504(b), 220505(a). To have a single document called the "Bylaws" without a separate "Constitution" might require amending those provisions of the Act to instead refer to the USOC "Bylaws."

Besides aligning responsibility, authority, and accountability, principles of good governance advise that the CEO should be given the ultimate responsibility and authority to move the organization toward its Mission in a manner consistent with the policies established by the Board. The CEO must be required to implement the policies of the Board and to report to the Board concerning the results achieved. He or she should also make recommendations concerning policy changes and new initiatives to advance the Mission and the policies and objectives of the organization, and must be held accountable for the performance of the organization.

The USOC should be structured so that resources are spent furthering the Mission and doing the work necessary to advance the organization, and the time and money and other resources that are expended on governance should be kept as low as possible.

2. The Creation of an Effective Olympic Assembly

As discussed above, the Task Force, the USOC blue ribbon panels that preceded this Task Force, those who testified before Congress in the past several months, and those who testified before the Commission appear to be in agreement that a Board with over 120 members is not suited to governing an organization effectively. Additionally, there was a consensus that the cost of the current Board meetings could not be justified by the minimal amount of business actually conducted at those meetings.

There has also been general agreement, however, that it is important for there to be a mechanism for USOC leadership, officers, and committee members, to communicate with the many diverse Olympic organizations. The USOC needs a forum for communicating with all organizations within the Olympic family in order to achieve the transparency and openness of the U.S. Olympic movement that Congress, the Task Force, sponsors, suppliers, strategic partners, and the American public seeks. It is also imperative that the USOC obtain the benefit of the ideas, experience, and input of the people in these constituent organizations. In many cases, these organizations are the most direct stakeholders in the activities of the USOC, as the USOC provides financial support and to some extent regulates the activities of many of the individuals and organizations involved in the U.S. Olympic movement. The USOC must have a mechanism to receive input and reactions from athletes and from these organizations in order to assess the success and effectiveness of USOC programs and decisions and to help dictate USOC policies for the future.

a. Membership of the Assembly

The Task Force therefore recommends that the USOC create an Olympic Assembly, which will be comprised of delegates from the following constituencies—the AAC, the NGB Council, the Community-based Multisport Organizations, the Education-Based Multisport Organizations, the Armed Forces Organizations, and the Affiliated Sport Organizations.⁷ The

⁷ It appears to be an anomaly that the State Olympic Organizations membership class continues to exist when the USOC's state Olympic organizations system was eliminated in 2000 and the USOC's Constitution and Bylaws indicate that no such organizations exist. In addition, the current membership category of "Recognized Organizations" appears to have no definition to

Olympic Assembly will be the only organization within the USOC that is comprised of representatives from each of these various diverse groups within the Olympic family. It is important that this large group of people and organizations involved in the Olympic movement be designed to take better advantage of the strengths and benefits of this group. A group that is as large as the Olympic Assembly and that represents diverse and often conflicting agendas is not equipped to govern the USOC. The Olympic Assembly therefore will provide input to the Board on important issues in an advisory capacity, not a rulemaking or governance capacity. The USOC will rely on the Olympic Assembly to contribute ideas, to provide feedback, and to give constructive input on behalf of the diverse membership of the USOC. In many ways, the Olympic Assembly will serve as a gathering of the stakeholders in the U.S. Olympic movement.

b. The Councils of the Olympic Assembly

The Task Force recommends that the Olympic Assembly meet annually at the same time and place where the Board will hold one of its meetings. The NGB Council and the AAC will also hold one of their regular meetings during this annual meeting of the Olympic Assembly. The Task Force recommends that the Community-based Multisport Organizations, the Education-Based Multisport Organizations, the Armed Forces Organizations, and the Affiliated Sport Organizations form a single council, perhaps named the Multi-Sport Organization Council, which will also hold meetings at the same time and place as the Olympic Assembly. The USOC Board members and the Chief Executive Officer of the USOC and other key staff members will attend the meetings of the Olympic Assembly.

The Task Force firmly believes that to this point the AAC, NGB Council, and other USOC groups have not achieved their great potential to assist and advance the Olympic movement. They have not done so, in part, because those organizations have been focused on their political role in USOC operations, including political activity related to electing USOC officers and voting on Constitution and Bylaws changes, budgets, and other matters that came before the Board. As a result, those organizations have not developed in many areas in which they can better serve the Olympic movement.

For example, the NGB Council is a collection of organizations bound together by the fact that they each are responsible for a sport that is on the program of the Olympic Games or the Pan American Games. There is a tremendous range of size and revenue among these organizations, from NGBs with annual revenues in excess of \$100 million to NGBs with less than a million dollars in annual revenues. Certain NGBs have massive, thriving grass roots programs, while others do not. Some are very successful in securing corporate sponsorship of their programs,

it and there are currently no such members of the USOC. As a result, the Task Force does not recommend that these membership categories continue to exist or that these categories of membership be identified for participation in the Olympic Assembly. On the other hand, the Task Force recommends that the other categories of USOC membership (Olympic Sport Organizations, Pan American Sport Organizations, Affiliated Sport Organizations, Community-Based Multisport Organizations, Education-Based Multisport Organizations, and Armed Forces Organizations) remain, subject to Board review of these membership categories following the commencement of the new Board's activities.

while others have not been. All of these organizations, however, are only eligible to continue to be recognized by the USOC as national governing bodies if they comply with the eligibility requirements set out in the Act. *See* 36 U.S.C. § 220522 (a). There is a tremendous opportunity for all of these organizations to work together, to share the benefit of all the knowledge and experience that resides within each of these organizations regarding such matters as possible collaboration or joint purchasing with respect to insurance, website services, legal services, facilities, or other products or services needed by multiple NGBs; best practices concerning the proper operation of an NGB; sponsorship, marketing, and licensing; fundraising; hiring of coaches, trainers, and other sports professionals; athletes' rights; dispute resolution of sports-related conflicts; compliance with the Act; financial reporting and accountability; and structuring an NGB to improve the organization's governance. The NGB Council's potential in these areas has never been fulfilled. The annual Olympic Assembly will be an ideal forum for the NGB Council to report to the entire Olympic family about its efforts in these areas and its plans for the future.

Similarly, there appears to be a consensus that the community-based and education-based organizations have never been integrated into the achievement of the USOC's Mission. Historically, these organizations have been members of the USOC to, among other things, express their views through the political processes and, in some cases, to seek funding or other support from the USOC. Some of these organization stake the position that they should be funded by the USOC because they, not the USOC, are actively involved in achieving some of the purposes the Act assigns to the USOC, which the USOC has never had the funding to do itself, such as "promot[ing] and encourag[ing] physical fitness and public participation in amateur athletic activities." 36 U.S.C. § 220503(6).

Many of these organizations, while they provide tremendous support to amateur athletics in the United States and amateur athletes, have never been integrated sufficiently into the USOC's effort to help Olympic and Paralympic athletes achieve sustained competitive excellence or even to ensure that there will be a consistent pipeline of top-level young athletes for the NGBs. For example, the Boys and Girls Clubs of America and United States high schools all support athletic programs. They have large grass roots involvement. Many of their young athletes are inspired to stay involved in athletics and eventually become top-level athletes, and a small number eventually become United States Olympians. However, organizations like the Boys and Girls Clubs have traditionally been so far removed from the training of top-level athletes once those athletes have been identified that the USOC has never been able to utilize those organizations as part of the USOC's strategic planning. In addition, as those organizations are not NGBs, the Act does not give the USOC any direct supervisory responsibility over those organizations, and the scope of their activities is so far beyond top-level athletes that it would not be reasonable for the USOC to assume such a supervisory task. Some of the Multi-Sport Organizations have been working with individual NGBs, as NGBs are often more directly involved in grass roots development. It is the view of the Task Force that the new Multi-Sport Organization Council should be a forum for the exchange of ideas, public dissemination of information about successful initiatives, and the development of programs and initiatives that will cause Multi-Sport Organizations to make a much greater contribution to the USOC's achievement of its Mission. Given that the new Multi-Sport Organization Council will be the home for all USOC members that are not part of the AAC or the NGB Council, the Task Force

believes and recommends that the new Multi-Sport Organization Council should give full and complete consideration to admitting organizations that may previously have been excluded from USOC membership because they did not fit into certain very specific narrow categories. For example, the organization of the Olympic alumni and organizations involved in United States participation in the Deaflympics are groups that seek to communicate with the USOC and seek membership status, and should have a forum for seeking proper consideration.

c. Public Sector Members in the Olympic Assembly will not be Necessary in Light of the Independent Directors on the Board of Directors

The Task Force debated the issue of whether the present public sector positions on the Board should be continued as public sector members of the Olympic Assembly. The first key to the decision not to recommend continuation of public sector membership was that the fact that the Olympic Assembly would not be called upon to vote on issues or issue decisions. The second key was that the presence of four (4) "independent directors" on the new Board, while a smaller number than the eight (8) current public sector Board members, would have a much more significant proportional voice in USOC governance, and would not require a forum such as the Olympic Assembly to provide broader constituent-based input.

d. Conduct of the Olympic Assembly

One member of the Board, perhaps rotating among the Board membership as determined by the Board, shall serve as the Chair of the Olympic Assembly each year. This individual shall be responsible for the organization and conduct of the Assembly. At the annual meetings, the Board and the CEO should present reports about the operations of the USOC, policies that have been established, strategic planning, and other plans and agendas for the future of the USOC. These reports, plans, and agendas will help ensure that the operations of the Board and the USOC will be transparent and that the Board and the CEO will be completely responsive to the various constituent organizations within the USOC.

In addition, at the annual Olympic Assembly, the three councils, the AAC, NGB Council, and Multi-Sport Organization Council, besides holding their own council meetings, should each present reports to the entire Assembly about their activities, strategic plans, and initiatives. In these reports, the three Councils should address the Mission, and the ways in which the activities of their councils and the constituent members of their councils are designed and tailored to advance and further that Mission.

The annual meeting of the Olympic Assembly will also provide an opportunity for the Board and the CEO to actively solicit input and guidance from the Olympic Assembly and the organizations they represent. In order to further this important function, the Board and the CEO will preside over sessions during which the Board members and the CEO will have an opportunity to seek input and feedback concerning USOC policies, initiatives, and issues. In order to provide for flexibility, the format and agenda for the annual Olympic Assembly will be set by the member of the Board who chairs the Assembly, in consultation with the full Board and the CEO.

The Task Force strongly believes that the Olympic Assembly is the best mechanism for ensuring that the USOC is transparent and responsive to the various groups in the Olympic family. The Task Force therefore also recommends that the Board implement a policy whereby the Board and the CEO communicate with the Olympic Assembly and the member organizations within the Assembly on a regular, ongoing basis, while providing those individuals and groups a meaningful opportunity to have their voices and ideas heard and considered by the Board and the CEO. It is important that the lines of communication shall be open and that they shall run in both directions, with the Board keeping the Councils and their members informed about Board activities and decisions, while the three Councils keep the Board informed about their areas of concern, proposed initiatives, and views concerning the performance of the Board, the CEO, and the overall organization.

Agendas for and minutes of Board meetings should be posted on the USOC website and distributed to the members of the Olympic Assembly via electronic mail or other means. The AAC, NGB Council, and the Multi-Sport Organization Council may request prior to agenda deadlines that issues or items be placed on the agenda of the next Board meeting.

The Task Force devoted substantial time and attention to the question of whether the USOC should pay the travel costs for representatives of member organizations to attend the annual Olympic Assembly. The Task Force believes that the Olympic Assembly should be valuable to the members of the Assembly and that those members should only attend if they share the view that attendance at the Assembly is valuable to them, as indicated by their willingness to pay the travel costs for their representatives. If the Olympic Assembly is not worth the travel costs to send a representative, perhaps the Olympic Assembly should be improved and enhanced, but the solution is not for the USOC to underwrite the costs of bringing people to attend an Olympic Assembly that they do not believe is worth the cost. However, the Task Force understands that there has not been an Olympic Assembly, so it may be difficult to assess its value without attending the first annual session. Therefore, the Task Force recommends that the USOC pay the members' travel costs to the first annual Olympic Assembly, to be held in 2004, and in subsequent years the USOC should do whatever is possible to arrange group rates or discounted travel, but NGBs and PSOs and members of the Multi-Sport Organizations should be required to pay their own travel costs associated with the Olympic Assembly, starting in 2005.

The Task Force heard and considered the concerns that have been expressed by current Board members that the Olympic Assembly (a) will not be meaningful, (b) will be nothing more than a sport conference, and (c) will not be attended by members unless the USOC pays their way and they have a vote. The Task Force has heard some express the view that the Olympic Assembly is comparable to the past Olympic Congress and other failed concepts. The Task Force understands the skepticism that has been expressed, but believes there are several compelling responses.

First and foremost, the current Board is a drain and strain on the organization, not a benefit. There is no value added by a Board that meets twice a year to rubber stamp proposals and to engage in partisan constituent-based politics to select officers and Executive Committee

members by means of a system in which officers and others make promises to constituents about how they will conduct themselves as officers or Executive Committee members and how much USOC money they will promise to various constituencies in return for support. Therefore, in the view of the Task Force, losing the current Board is not a loss, but would be a gain and a tremendous cost saving, even if it were not replaced by an effective Olympic Assembly.

Second, the Task Force believes that the Olympic Assembly, unlike the Olympic Congress or any other predecessor, will call upon the membership of the USOC not to govern and tell the staff what to do, but rather to work as partners with the USOC to provide feedback and advice and to develop programs, ideas, and initiatives through which the member organizations can themselves contribute to the success of the USOC in achieving its Mission. The Olympic Assembly concept requires the USOC member organizations and the volunteer representatives of those organizations to do more than show-up. If they do not contribute – ideas, assistance, quality feedback, and other productive assistance – those volunteers will not have a significant role. They cannot thrive in the Olympic Assembly merely by contributing political strategizing. The goal of the Olympic movement is to provide assistance for United States Olympic and Paralympic athletes so they will be able to achieve sustained competitive excellence and to preserve the Olympic ideals. If members and their representatives can contribute to the USOC achieving that goal, they will thrive in and be important contributors to the Olympic Assembly.

Third, the Task Force believes that the Olympic Assembly will be extremely valuable and important for organizations and individuals committed to working to advance the Olympic movement. It will be the responsibility of the Board to make the Olympic Assembly sufficiently productive and useful that those organizations and individuals, people and groups that the USOC cannot afford to lose if it wants to achieve its Mission, will be more than willing to pay their travel costs to come and participate.

Fourth, the Task Force believes that as important as the contribution of the Olympic Assembly, by relieving the AAC, NGB Council, and the groups that will be part of the new Multi-Sport Organization Council from the burdens of political maneuvering and lobbying and the misguided direction of resources toward trying to provide additional governance in a completely unworkable structure, those councils will improve and will dramatically increase their contribution to the Olympic movement in the United States.

Fifth, the Task Force is confident that, unlike the present 124-member Board or 23-member Executive Committee, if it turns out that there are ways to improve and enhance the Olympic Assembly and those changes are necessary to maintain the support of the member organizations and their representatives, the new Board will be capable of making those changes.

For all of these reasons, the Task Force is confident that the Olympic Assembly will be a tremendous success, and is what is needed to keep the members of the USOC involved and informed in ways that will advance rather than hinder the USOC's movement toward its Mission.

The Task Force has received suggestions from various individuals that would involve the Olympic Assembly, or a large body like it, voting on certain limited matters. It is the strongly

held view of the Task Force that it would be the wrong direction for the Olympic Assembly to be an organization that votes on any issues relating to the governance of the USOC.

First, for the Olympic Assembly to vote on anything will require the creation of complex rules and regulations concerning who can vote and the extent to which various constituents' votes will be weighted. Similarly, there will have to be a much more formalized process to assess whether additional organizations associated with the Olympic movement in the United States will be permitted to become members of the Olympic Assembly. Historically, there has been a concern about admitting additional organizations to membership in the USOC because their admission would dilute the voting power of other organizations, and that has led to political infighting to exclude potential new members. Those sorts of concerns may explain why groups such as the U.S. Olympic Alumni Association, composed of all present and former United States Olympians, has been unable to secure membership in the USOC. It is the Task Force's view that organizations like that should be included and would be welcomed into the Olympic Assembly if their inclusion will not affect voting power of others because the Olympic Assembly will not be a voting body.

Second, if the Task Force's recommendations are adopted, as explained above, the process for selecting public sector directors will not be necessary because "independent directors," basically the same concept as the public sector members of the current Board, would be present at the Olympic Assembly, and the Olympic Assembly would not vote on any issues. Once the Olympic Assembly is given issues to vote upon, there would need to be a reinstatement of that selection process for public sector members.

Third, if the Olympic Assembly were to be called upon to vote on issues relating to the governance of the USOC, such as selection of bid cities or the participation of the USOC in the Olympic Games, that would subject those decisions to the constituent-based decision making and the politics that have plagued the USOC for the past twenty years. Rather than be subject to a vote on the merits, or on the basis of what would serve the best interests of the USOC, using a process based on solid governance principles, those decisions could become once again the victim of block voting, votes exchanged for other benefits, and other distortions that have been the source of many of the problems identified in this Report. To allow the Olympic Assembly to vote on any issues will effectively leave the current 124-member Board in place with all of its problems but with reduced authority and responsibility.

Fourth, the Olympic Assembly and the council meetings associated with that meeting will be an integral part of moving the USOC, the NGBs, and the other organizations in the Olympic Assembly toward the Olympic Mission. The Olympic Assembly will perform other important functions. As explained in detail above, the Olympic Assembly will be focused on cooperation between and among athletes, NGBs and the members of the Multisport Organization Council to advance the Mission. It will also be an important forum for the exchange of information and ideas between the Board and all the organizations and individuals involved in the Olympic Assembly. If the Olympic Assembly is also given governance responsibility or the power to vote and make decisions on limited issues, that will take time and focus away from the proper functioning of that group. It will also mean that the over one hundred members of the Olympic Assembly will spend months in advance of each meeting on the telephone and

communicating by email, politicking and lobbying one another about the issues to be voted upon in the upcoming meeting of the Olympic Assembly, again distracting those individuals and their organizations from what they should be doing to advance the Olympic Mission.

Fifth, the Olympic Assembly is simply too large a body for there to be meaningful education of the membership or meaningful debate at the meetings of that group.

It is the view of the Task Force that the Olympic Assembly is completely ill-suited to serve any governance function, and requiring that group to vote on any issue will create tremendous additional costs and burdens for the organization. It will also take issues that are central to the Mission away from the CEO and the Board, and leave the organization in a position where one part of the organization may make decisions or take actions that will be contradicted by other parts of the organization.

3. Need to Eliminate Constituent-Based Governance and Replace It With An Independent Board

Based on the Task Force members' USOC experience and after they conducted a careful review of the recent and historical operation of the Board, it was clear to the members of the Task Force that a primary reason the Board has been an ineffective governing body is the fact that a significant majority of the members of the Board represent and act on behalf of more than one constituency. That is, in addition to serving the USOC, most members of the Board are elected by and thus must serve and represent a particular organization within the USOC family—the AAC, the NGBs as a group or one particular NGB, the Community-Based Multisport Organizations ("CBOs") as a group or one specific CBO, etc. These members routinely face actual and potential conflicts of interest while carrying out their duties as members of the Board. These conflicts of interest can be significant and are often unavoidable, as the USOC and its constituent organizations are competing for limited resources and frequently have different priorities and agendas. Under the current structure, a Director is obligated to serve his/her constituency and thus must make decisions based on what is best for the constituency he/she represents. Decisions are made by individuals seeking to further the interests of their constituencies, not to further the interests of the USOC as a whole. While these interests may on occasion overlap, it is clear that the NGBs, the AAC, the IOC, and other organizations with a seat on the current Board have divergent interests which regularly conflict with the USOC.

Elimination of the constituent-based system and the internal USOC politics was widely regarded as a necessary prerequisite for proper functioning of the USOC:

"... [The USOC] is not, even in the context of its nonprofit work, exactly like an ordinary nonprofit, which has a uniformity of purpose, that you are going to raise money and have that distributed to a given cause. Instead, what you have is a constituency who acts like a legislature. Their interests are adverse to one another. There is a limited pie, and everybody wants their piece of it, and all of the conflicts stem, in my judgment, from that difficult proposition. That is a structural matter, and it is a profound cultural matter. Until that is overcome, and people begin to strive in uniformity toward a common goal which is not limited to

their individual interests, I am not sure what structural changes are going to be able to make a significant difference.

* * *

. . . [T]here is not even an understanding as to what the role of the USOC is. There are some that say its sole purpose is to raise money and give it to the NGB's and stay out of the way. There are others that say, on the farthest extreme on the other side, the Amateur Sports Act requires us to develop and enhance amateur athletics. Well, unless you know what you are trying to do, it is going to be very difficult to get a consensus on it, and it is going to be even more difficult to figure out the level of funding you need.

* * *

The officers are elected by competitions between coalitions of the constituency groups. They appear before them, they answer questions, promises are sought, commitments are made, people are upset when people are not perceived to be honoring their commitments, and that affects who gets elected the next time around, not to mention who gets to be on what committee and make what trip as a result of who is often elected.

* * *

In the USOC board, members of the board are saying, in effect, give the money to me, give it to my organization. Do not give it to his, and do not give it to hers. That is what I mean when I say it is an odd duck of an organization, for which I know of no comparable model, and that is what drives me to the conclusion that governance has to get past the constituent competition that we have."

Testimony of Donald Fehr, Executive Director of the Major League Baseball Players Association and Public Sector Member of the USOC Board, to the United States Senate Committee on Commerce, Science, and Transportation, Hearing on USOC Reform at 64-67, 87 (February 13, 2003).

"The fundamental problem is the USOC's culture. Simply put, increasingly and inexorably, it has been rotting and now, finally, it has fallen completely in upon itself. What in the past was a nagging inefficiency – two steps forward, one step back – has now obviously erupted into full blown dysfunctionality or, at best, one step forward, two steps back. . . .

The direct culprit for the USOC's cultural ills is politics. This is not real politics: the lubricant of a representational system of governance. Let's call it petit politics. A peculiar brand, the currency of which is the desire to gain and maintain personal position, power and perquisites and the ability to use them as *quid pro quo*. The landscape of which is dotted with constituencies, power bases

and fiefdoms. Petit politics and its practitioners have been killing the USOC. They finally succeeded. . . .

The need to operate politically has led to parochial agendas that have clogged and waylaid the USOC. There are numerous examples of how *sui generis* politics in the USOC has become. Critical analysis and necessary action, expertise, experience and integrity have all been supplanted. The best way to get elected has been to make promises of personal positions and perquisites, money and resources and, of course, to hammer the staff. The best way to get reelected is to purge one's rivals, put one's allies in succulent positions and make oneself seemingly indispensable by holding as many simultaneous positions as possible. And of course, more promises. . . .

The most fundamental and necessary structural change is this: the petit politicians have so subverted the system that there is no recourse other than to replace election with selection so as to ensure that the USOC can avail itself of the good people with the necessary qualities it so desperately needs.

This facially raises the issue of disenfranchisement, particularly for the Olympic NGBs. But most NGB Executive Directors, the senior in-the-trenches people responsible for running their sports, would prefer dealing with the USOC on a business rather than a political basis."

Submitted Testimony of Michael Lenard to the Independent Review Commission at 24, 7-8 (April 25, 2003).

"The USOC should be lean in both its leadership team and staff and oriented toward adding value to the activities of the NGBs and the efforts of their athletes, but not involved directly in performing essential athlete development tasks. NGBs and athletes, as the two most important stakeholders in the Olympic movement, should be represented on a USOC Board, but we support the notion that the Board should be significantly independent of constituent interests and as removed as possible from the politics that have crippled the USOC through its history."

Statement of Craig A. Masback, CEO of USA Track & Field, before the Independent Review Commission at 3-4 (April 25, 2003).

"The political structure of the USOC is broken and cannot just be patched or mended. It must be completely changed in order to emerge as a stronger, better organization. . . . If the organization is to spend limited dollars wisely and well, the political pressure on both staff and volunteers must be eliminated. With threats to the elected leadership, implied or expressed, with people often volunteering for the wrong reasons and staff as anxious as anyone to get the perks that go with the territory, it simply is not possible to get the most bang for the buck. This is the single biggest reason to change from a representative form of

governance to one where people are selected for the talents they bring to the table.”

Statement of Sandra Baldwin, Former USOC President, to Independent Review Commission at 2 (April 25, 2003).

“Require the USOC Board be comprised of not more than 15 members with major representation from individuals skilled in areas outside of sport such as the late Bill Simon, who, as President of the USOC from 1980 through 1984 brought his unchallenged leadership skills and concern for all parts of the USOC organization.”

Statement of Donna de Varona (February 13, 2003 Senate Committee on Commerce, Science and Transportation).

While some have noted that the Board has evolved into a democracy, the inherently conflicting loyalties of its members have caused it to devolve into an ineffective governing structure. A constituent-based Board is counterproductive, as it inevitably leads to internal political discord and infighting. Although reducing the size of the Board will help transform the USOC into a more workable model, the Task Force determined that is essential that each member of the Board must have an undivided loyalty to the USOC and the Mission. In other words, each Director must be independent. This independence will remove the bias inherent in a constituent-based system and will permit the Board to make decisions based on what is best for the entire USOC, not based on what is best for a particular group.

Those who testified before Congress identified many problems associated with the constituent-based system.

“Once every four years officers must be elected by the Board. This is serious business. Candidates for such positions nearly always will come from and/or are identified with distinct constituent groups. They ordinarily vie for the support of the NGBs, the athletes, or others. Coalitions form and dissolve. Promises are sought and made. In short, elections for officers reflect the disparate interests of the various USOC internal groups. And one should remember that the officers make up a significant portion of the Executive Committee- the real policy making organ of the USOC—along with the directly appointed representatives of the various constituent groups. I am not arguing that officer elections are bad in and of themselves, or that constituent representation on the Executive Committee is inappropriate. Rather, I submit that officer elections conducted within the current system often can and do perpetuate the internal political discord that is the predictable result of the existing governance structure.

[T]he membership of the Board of Directors should be composed largely of independent outsiders, i.e., individuals who do not come from or represent any internal USOC constituent group. In other words, the Board should consist in large part of outside directors who want nothing from the organization save the

satisfaction of making a needed contribution to a good cause. Such outside, independent directors should include individuals with significant experience in management, administration, fundraising and other skills that would be helpful to the operation of the USOC. The various internal USOC constituent groups would then make their arguments re policy and budgets, etc., to this largely independent Board.”

Statement of Donald Fehr (February 13, 2003 Senate Committee on Commerce, Science and Transportation) at 9.

“The USOC is an organization with a diverse membership, unique needs and limited resources. The constituent groups of the USOC range from National Governing Bodies of Olympic, Paralympic and Pan American sport to community-based organizations such as the Boys and Girls Club. These diverse membership groups compete for the organization’s limited funding, representation and recognition. The diversity of interests and needs among the members of the current Board of Directors indicates a need for structural change. . . . While the USOC is obligated to oversee dozens of different sports, it does not benefit from the collegiality seen in organizations such as the NCAA and other sports associations. The National Governing Body for a sport such as archery has little in common with the NGB of basketball. Boxing and equestrian are dramatically different sports, not only on their fields of play, but in their social and economic compositions as well. While the Olympic Team may appear as an integrated unit during Olympic ceremonies, the National Governing Body for each of the sports represented on that team are far fields apart. Each one competes with the others for sponsorships, media coverage, and even athletes themselves. Add to this mix the desire for non-Olympic sports to be added to the Olympic program, the special challenges of Disabled Sports Organizations, the particular needs of the armed forces, community based and religious entities, school and college communities, and state organizations. Only then can you begin to understand what differentiates the USOC from other charitable organizations, and why it needs a structure that will enable it to accommodate the needs of its members and fulfill the mission defined by the Olympic and Amateur Sports Act and expected by the American public. . . .

The Nominating Committee is currently comprised of members representative of the USOC’s various constituent groups, each of which brings an inherent bias to the process.”

Statement of Harvey W. Schiller (February 13, 2003 Senate Committee on Commerce, Science and Transportation) at 5, 12.

In fact, these comments and observations reflect concerns related to those that led to the enactment of the Act:

“U.S. sports organizations are fragmented, not bound by common purpose or any effective coordinating system. No clear policy or direction in amateur sports, physical education or physical fitness can be or has been maintained.”

The Final Report of the President’s Commission on Olympic Sports (1975-77).

There has been substantial sentiment expressed for constituting the USOC Board with a significant percentage of public sector or “independent” directors. The Task Force shares that view, but believes it is important to identify one important difference between the concept of “independence” in the usual corporate setting and independence in the context of the USOC. In general, corporations have directors who are not “independent” because the directors are members of management – for example, the Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Chief Marketing Officer, and General Counsel of the company are employees who may also serve on a corporation’s Board. In that situation, independent directors are necessary to oversee and control management. In the context of the current Constitution and Bylaws, members of USOC management other than the CEO are not on the Board or the Executive Committee, so there is not an absence of independence as there is in a traditional setting.

The Task Force recommends that the CEO not be a member of the new Board, thereby eliminating any member of management from the Board. In addition, the Task Force believes that in the context of the USOC a substantial percentage of the Board should be individuals who are not current members of the AAC, are not members of the IOC, and are not currently associated with any NGB.

In order to bind the USOC by a common purpose and improve the functioning of the Board, the Task Force recommends that each member of the Board be independent of management. Specifically, the Task Force recommends that four (4) of the members of the Board be “Independent Directors,” as defined below.

The other members of the USOC Board should be United States members of the IOC (to the extent required by the *Olympic Charter*), United States athletes as nominated by the AAC, and individuals nominated by the NGB Council. As explained in more detail below, the USOC Nominating and Governance Committee will be charged with selecting as effective a Board as possible, with diverse backgrounds, expertise, and experience, and to increase the options available to that Committee and to limit the extent to which nominees feel obligated to the AAC or NGB Council when engaged in decision making on behalf of the USOC, the AAC and NGB Council shall each be obligated to nominate three qualified individuals for each Board position whenever they are called upon to make nominations. The Nominating and Governance Committee will then select each such Board member from among the three nominations for that position.

Additionally, to minimize any obligation or loyalty that the Directors who are not Independent Directors may have to a constituent group, the Task Force recommends that once selected to the Board, AAC and NGB personnel must sever their ties to the organizations from where they were nominated. Thus, if the Directors who are selected among the people

nominated by the AAC or the NGB Council hold positions with either of those organizations, they shall be required to resign those positions and any positions with an NGB or any other organization represented in the Olympic Assembly once they are selected to serve on the Board. For example, if the AAC nominates its Chair and he/she is selected to be a member of the Board, he/she would then be required to resign as Chair of the AAC. Similarly, if the NGB Council nominates a member of the Board of U.S. Swimming who is also the Vice Chair of the NGB Council, and that person is selected to be a member of the USOC Board, he/she would then be required to resign both as a member of the U.S. Swimming Board and as the NGB Council Vice Chair. While the Task Force recognizes that there are also issues regarding potential conflicts of interest for IOC members, the mandates of the *Olympic Charter* may override these concerns. The Task Force recommends, however, that the USOC and IOC work together to resolve the tension between the requirements of the *Olympic Charter* and the governance recommendations in this report in a manner that is in the best interests of the Olympic movement.⁸

As discussed above, the Task Force recognizes the necessity and importance of athlete and NGB representation on the Board. The knowledge and experience of these representatives is invaluable. In order to permit effective and efficient governance, however, the athlete and NGB representatives on the Board must have only one loyalty—to the USOC. Complete and unfettered independence and loyalty to the USOC will lead to more effective and efficient governance.

4. Function and Membership of the USOC Board of Directors

a. The Function of the Board

The Board oversees the management of the USOC and its affairs. The Board represents the interests of the United States and its athletes and sports governing bodies by providing the USOC with guidance and strategic oversight on behalf of the United States. The Board will focus on long-term objectives and impacts rather than day to day management, empowering the CEO to manage a professional organization with effective Board oversight. The paramount duty of the Board is to select a well-qualified and ethical CEO and to diligently oversee the CEO and his or her management and the operation of the USOC. In addition, the Board will perform the following specific functions, among others:

- Selects, compensates, and evaluates the CEO and plans for management succession.
- Sets policies for compensation of qualified senior executives.
- Reviews the USOC's strategic plan and the annual operating plans, budget, business plans, and corporate performance to ensure that they are consistent with policies established by the Board.

⁸ Failure to address this issue could lead to significant problems in the future. For example, if other international organizations of which the USOC is a member, such as the International Paralympic Committee ("IPC"), were to require that all United States IPC members be on the USOC Board, compliance with such a mandate would completely eliminated the USOC's ability to control its own governance.

- Establishes policy direction to management on significant issues facing the USOC.
- Oversees the financial reporting process, communications with stakeholders and the USOC's legal and regulatory compliance program.
- Oversees effective corporate governance.
- Approves capital structure, finance strategies, borrowing commitments and long range financial planning.
- Reviews and approves financial statements, annual reports, audit and control policies, and, upon the recommendation of the Audit Committee, selects independent auditors.
- Monitors to determine whether the USOC's assets are being properly protected.
- Monitors the USOC's compliance with laws and regulations and the performance of its broader responsibilities.
- Ensures that the Board and management are properly structured and prepared to act in case of unforeseen corporate crisis.
- Requires appropriate level of transparency and ethics in the management of the USOC.
- Communicates with and responds to the various members of the Olympic Assembly.

The Board should be sensitive to the desirability of diversity at all levels of the USOC. The Board should develop norms that favor open discussion and favor the presentation of different and, in some cases, opposing views.

b. The Size and Composition of the Board.

The Task Force began its consideration of the size and composition of the Board by examining some of the conflicting mandates or goals that were considered to be important. First, the current, generally accepted writings and teachings of governance experts and the advice of governance experts assisting the Task Force were in agreement that the size of the Board should be kept small, with about seven (7) members constituting the optimum efficient size for a for profit or not-for-profit Board. The Task Force concluded that it could recommend a Board size larger than seven, but that it should have good reasons for any such departure because increasing Board size beyond seven members yields reductions in efficiency, reductions in Board members' commitment to service, and increased governance costs.

The concept of reducing the size of the USOC Board dramatically is not unique to the USOC. Rather, for several years, it has become an accepted principle of good governance in both for profit and not-for-profit organizations that smaller Boards are more efficient and more effective. For example, in a recent survey of 1,000 non-profit organizations, the CEOs and CFOs reported that common trends included "reducing board size, cutting numbers by half or more to increase individual responsibility and accountability." Andrew S. Lang, *Gaining Strength by Restructuring Association Governance*, Association Management, Vol. 50, No. 2, at 45. In the past decade, both for-profit and non-profit institutions have reduced the average

number of board members from fifteen to eleven. *Board Attrition Continues: New Directors with Sufficient Experience Are Hard to Find*, Investor Relations Business, Jan. 14, 2002. Given that there are some entities still saddled with unreasonably large Boards, the average has only been brought that low by a substantial trend to Boards with seven or less members. Even three years ago, the median for an S&P 500 board of directors was a mere eleven members, and the trend is continuing to drive the numbers even lower. Julie H. Daum, *Today's 'State of Play' of Governance Practices*, Directors & Boards, Vol. 25, No. 1, Sept. 22, 2000. As another example, private bank boards usually have only seven to nine directors. Douglas V. Austin, *How Big is Your Board? Optimum Number of Members Can Vary According to Several Factors*, Northwestern Financial Review, Vol. 186, No. 18, at 6. Among publicly traded companies, Credit Suisse and AT&T, ranked 31 and 40, respectively, on the current Fortune 500 list, both rely on a nine-member board. CapitalOne, an aggressive participant in the credit card industry, is an example of a seven member Board, with two members of management and five independent directors. A couple of years ago Sony reduced its board from thirty-five directors to ten, and several other Japanese companies followed Sony's lead by reducing their board size. Stephan Richter, *Saying Sayonara to Bureaucracy*, Chief Executive, Nov. 2001, at 30. In the United Kingdom, companies with revenue between 500m–1 billion pounds averaged eight directors, and public companies average seven directors. *Numbers Across the Board: The Size of Decision-Making Body is on the Agenda*, Management Today, Apr. 1, 1996.

Many non-profit foundations generally rely on boards of directors with nine or less members. In a brief survey, we found nearly thirty foundations with nine or less directors. *Nonprofit Sector Yellow Book* (Winter 2003 ed.). The Lilly Endowment, for example, relies on nine directors to manage its over \$15 billion of assets. Additionally, many colleges and universities rely on boards of this size, despite the fact that many of these institutions, unlike the USOC, utilize large boards to generate fundraising revenue from the individuals selected to serve on the boards. The United States Postal Service, another government-chartered corporation, is overseen by a Board of Governors totaling nine members. The Postal Service model should be considered carefully, as the Governors of the Postal Service are “chosen to represent the public interest and cannot be representatives of special interests.” United States Postal Service, Board of Governors, available at <http://www.usps.com/communications/organization/bog.htm>. By streamlining its board size to eleven members (with nine votes), the USOC will bring its governance model in line with many successful organizations, both for-profit and non-profit.

Others within the Olympic family have similarly recognized the necessity of these changes.

“The similarity between the USSA and the USOC today doesn't end with both organizations having to distribute limited resources to competing sports. Seven years ago, the USSA was directed by a volunteer board, lacked consistent leadership and was in serious financial trouble. The company had had five separate board-elected CEOs in three years and had to cut \$1.8 million dollars out of its 1996 budget in the middle of the competitive season. In order to get a handle on these growing problems, the then Chairman of the USSA board, Jim McCarthy, led the board to undertake a major restructuring. This effort led to bylaw and constitution changes that reduced the size of the board, directed the

board to provide governance and to set broad policy guidance, and gave the CEO full responsibility to run the company. . . .

. . . In my opinion, the USOC needs to become an organization that has the benefit, as we do, of a volunteer board that provides the governance and board policy guidance necessary for the CEO to lead the company. In this regard, we fully support the recommendations of the USOC Governance and Ethics Task Force. We know this is the best model for athletes and US Olympic teams. We at USSA have demonstrated its effectiveness. But most importantly, it is the best model for providing athletes the opportunity to achieve their full potential and make their dreams of athletic excellence a reality.”

Statement of Bill Marolt, President and CEO of the United States Ski and Snowboard Association, to the Independent Review Commission (April 25, 2003).

The Board originally recommended by the Task Force would have had 9 total members, 4 of whom shall be independent directors, 2 of whom shall be athlete directors, 2 of whom shall be National Governing Body (“NGB”) directors, and 1 of whom shall be an International Olympic Committee (“IOC”) director. As modified, the Task Force recommends that the Board should include all United States IOC members (3 currently) on the Board as directors, and those directors shall divide equally a single vote on the Board. The total size of the Board will thus be 11 members.

The Task Force then turned to consider other goals and requirements that might bear on the size and composition of the Board. First, the Task Force was mindful of the consensus of the Task Force and others, including several who testified before the Senate Commerce Committee, that a substantial portion of the Board should be composed of public sector or “independent directors,” not drawn from any USOC constituency. Second, the Task Force was mindful of the requirement of the Act that the USOC must “ensure that the membership and voting power held by . . . athletes [as defined in the Act] is not less than 20 percent of the membership and voting power held in the board of directors of the corporation and in the committees and entities of the corporation.”⁹ Third, the Task Force considered the provisions of the IOC’s *Olympic Charter* that bear on the composition of governing bodies of national Olympic committees.¹⁰ If the IOC Charter were interpreted to require more than 50% of the Board members to be non-athlete representatives of NGBs, when combined with the Act’s 20% requirement for athletes and seats

⁹ Given that the total size of the Board will be 11 members, with 9 available total votes, and the Task Force has recommended that 2 members of the Board be athletes, the Act will have to be amended to permit less than 20% athlete membership on the Board, noting that the athletes will still have 20% of the total votes on the Board. All other applications of the 20% athlete membership and voting power rule as currently stated shall continue to apply to USOC committees and to the NGBs.

¹⁰ See International Olympic Committee, *Olympic Charter*, Rule 32 (Composition of the NOCs), at 54-56 (November 29, 2002); Bye-law to Rules 31 & 32, at 56-59.

for United States IOC members, a small Board could not include any independent directors.¹¹As explained in detail below, that would not be consistent with good governance or the Task Force's understanding of the purpose and intent of the *Olympic Charter*.

5. Director Independence

The Board, in cooperation with the Nominating and Governance Committee, on an annual basis, shall review the independence of all directors, affirmatively make a determination as to the independence of each director, and disclose those determinations. Under the definition of "independence" adopted by the Board, an "independent director" must be determined to have no material current relationship with the USOC, either directly or through an organization that has a material relationship with the USOC. A relationship is "material" if, in the judgment of the Board, it would interfere with the director's independent judgment. To assist it in determining whether a director is independent, the Task Force recommends the guidelines set forth below, which were derived and modified from the New York Stock Exchange rules concerning independence. The period of removal has been reduced from five (5) years to two (2), and the relationships and activities and organizational involvement have been modified to apply to the business of the USOC. However, it is important to remember that since no members of the new Board will be members of management, in many ways the USOC will have a completely independent Board. These guidelines should be applied on a case-by-case basis by the Nominating and Governance Committee, as these are guidelines as opposed to hard and fast rules.

A director will not be considered independent if, within two years preceding commencement of his or her term:

- i. the director was employed by or held any paid position or any volunteer governance position with the USOC, a USOC-member sports governing body, the IOC, an Organizing Committee for the Olympic Games ("OCOG"), Pan American Sports Organization ("PASO"), Paralympic Sports Organization ("PSO"), the Association of National Olympic Committees ("ANOC"), or any Olympic family entity;
- ii. an immediate family member of the director was employed by or held any paid position or any volunteer governance position with the USOC, a USOC-member sports governing body, the IOC, an OCOG, PASO, a PSO, ANOC, or any Olympic family entity;
- iii. the director was affiliated with or employed by the USOC's outside auditor or outside counsel;

¹¹ The smallest Board with equal per capita voting that could include three (3) IOC members, a majority of NGB-selected representatives, and 20% athletes would be a Board of 13 – seven (7) NGB representatives, three (3) athletes, and three (3) IOC representatives. If the Board were increased to nineteen (19), there would have to be ten (10) NGB representatives, four (4) athlete representatives, and three (3) IOC members, only leaving room for two independent directors.

- iv. an immediate family member of the director was affiliated with or employed by the USOC's outside auditor or outside counsel as a partner, principal or manager; or
- v. the director was a member of the Athletes' Advisory Council or the NGB Council.

A director will not be considered independent if the director receives any compensation from the USOC, directly or indirectly. For purposes of this rule, compensation does not include reimbursement of out of pocket expenses incurred for the benefit of the USOC.

A director will not be considered independent if the director is an executive officer, controlling shareholder, or partner of a corporation or partnership or other business entity that does business with the USOC.

A director will not be considered independent if the director or the director's spouse is an executive officer, employee, director, or trustee of a nonprofit organization to which the USOC or the U.S. Olympic Foundation makes payments in any year in excess of 5 percent of the organization's consolidated gross annual revenues, or \$100,000, whichever is less. The Ethics Committee also will administer standards concerning any charitable contributions to organizations otherwise associated with a director or any spouse or other family member of the director. The USOC shall be guided by the interests of the USOC and its stakeholders in determining whether and the extent to which it makes charitable contributions.

Where the guidelines above do not address a particular relationship, the determination of whether the relationship is material, and whether a director is independent, will be made by the Nominating and Governance Committee if it concerns a person nominated or under consideration for selection to be a member of the Board or to be a member of the Ethics Committee. If the issue concerns an individual who is already serving as a member of the Board or the Ethics Committee, the determination shall be made by members of the Board who occupy the independent director seats on the Board (with the Board member whose independence is at issue not voting if the issue concerns a current member of the Board), after receiving the recommendation of the Nominating and Governance Committee.

The Board may determine that, in its judgment, a director who does not meet these guidelines nonetheless, under all the facts and circumstances, does not have a relationship with the USOC that would interfere with the perception or reality of the director's independent judgment.

The Nominating and Governance Committee shall select the initial Chair and designate the class of director from which he or she derives, but IOC Directors cannot serve as the Chair. The initial term of the first Chair shall be until September 1, 2005. The Task Force realizes that it is setting a different rule for selection of the initial Chair. The reason for the Task Force requiring the Nominating and Governance Committee to select the initial Chair, as opposed to the Board as required for subsequent Chair selections, is that the initial Board will have little experience with each other or the requirements for leading the Board, and the Nominating and Governance Committee will be in a better position to select the initial Chair.

At the end of the term of the first Chair (or if the first Chair's term ends prematurely for any reason), the next Chair will be selected by the Board, and the term of office for the second and all subsequent Chairs shall be decided by the Board.

6. Process for Selecting Members of the Initial Board – The Nominating and Governance Committee

Having decided what it believed to be the ideal structure and composition of the Board, the Task Force was absolutely aware that a first class governance structure will nevertheless be unsuccessful if the people who are selected to fill that structure are not up to the task. Therefore, the Task Force turned to the difficult question of how to select the Board members who would fill the positions on the Board. To leave selection of the Board to a political process was the last thing to do -- it became clear that there had to be an initial selection of knowledgeable outside individuals whose primary, if not sole, responsibility would be to select the members of the initial Board.

It is the responsibility of the Nominating and Governance Committee to identify and evaluate prospective candidates for the Board. Members of the Nominating and Governance Committee will be precluded from serving as Board members or in any other USOC capacity for a period of two (2) years after their service on the Nominating and Governance Committee ends.

The responsibilities of the five-member Nominating and Governance Committee, as envisioned by the Task Force, are as follows:

1. Identify the United States IOC members;
2. Receive the AAC's six nominations for the two athlete positions on the Board;
3. Receive the NGB Council's six nominations for two positions on the Board;
4. Solicit and receive nominations and identify potential individuals for consideration to serve as "independent directors" on the Board;
5. Conduct due diligence and potential conflict of interest review of the potential Board nominees and determine whether the individuals being considered to serve as "independent directors" satisfy the standards of independence;
6. Select the initial members of the Board from the nominees, including the nominees identified by the Nominating and Governance Committee;
7. Select the initial members of the five-member Ethics Committee; and
8. Work with the USOC staff to ensure that the new members of the Board are given sufficient background material, education about the business and history of the USOC and other board member orientation, and access to whatever other information they may need to be prepared to govern the organization.

The Nominating and Governance Committee must select one candidate for each athlete and NGB position from among the nominations of the AAC and the NGB Council, with the

exception that a current member of the Board occupying an athlete director position or an NGB director position who is eligible for re-election shall also be considered to have been re-nominated by that group (and shall not count as one of the three nominations that must be submitted). The Nominating and Governance Committee is free to consider whatever sources it determines are appropriate for selecting candidates for nomination to the independent director positions. The Nominating and Governance Committee shall consult with the Ethics Committee with respect to vetting all nominations for potential conflict of interest or other problematic background issues.

No director shall be subject to removal or not being re-nominated based on how they vote as a director, unless such voting is determined to be part of a violation of the Code of Ethics.

The initial Nominating and Governance Committee shall select the initial Board. The initial Nominating and Governance Committee shall consist of five individuals, selected one apiece by each of the following groups: AAC, NGB Council, Public Sector directors, the Commission, and the Task Force. The individuals selected by each group to serve on the initial Nominating and Governance Committee, notwithstanding their selection by identifiable constituent groups, shall otherwise meet the definition of independent director as set forth herein. The initial Nominating and Governance Committee shall select their own Chair and shall adhere to the principles set forth in this document in selecting the initial Chair and the initial Board. The initial members of the Nominating and Governance Committee shall serve until July 1, 2006, when it is time to select new Board members as the members with two year terms are about to have their terms expire.

The Task Force committed substantial time and effort to identifying knowledge, experience, and characteristics that should be present in the Board. The goal was not to identify the characteristics of any individual Board member, but rather to identify characteristics and knowledge and experience of the overall Board that would be charged with setting the policies and leading the USOC. Some of those characteristics, knowledge and experience, as identified by the Task Force, are as follows.

The Nominating and Governance Committee will seek to select a diverse Board with members who possess the highest personal values, judgment and integrity; an in-depth understanding of athletic competition and the Olympic ideals; and diverse experience in the key business, financial, and other challenges that face the USOC. The USOC shall seek Board members with a high level of experience and capability in board oversight responsibilities, including in the areas of finance, marketing, fundraising, audit, management, communications, and sport. In considering the nomination of prospective members of the Board, the Nominating and Governance Committee must consider (i) a candidate's contribution to the effective functioning of the USOC; (ii) any potential or impending change in the candidate's principal area of responsibility with his or her company or in his or her employment; (iii) the candidate's retirement from his or her principal area of responsibility with his or her company; (iv) whether the candidate continues to bring relevant experience to the Board; (v) whether the candidate has the ability to attend meetings and fully participate in the activities of the Board; (vi) the candidate's reputation for personal integrity and commitment to ethical conduct; and (vi) whether the candidate has developed any relationships with another organization, or other

circumstances have arisen, that might make it inappropriate for the director to continue serving on the Board.

The Nominating and Governance Committee will be considering six nominees for the two initial athlete positions on the Board, six nominees for the two initial NGB positions, and perhaps ten or twenty or more individuals for the four “independent director” positions on the Board. The Committee will be charged with responsibility for selecting a cohesive, diverse Board with the necessary knowledge, experience, judgment, people skills, and vision to run the USOC. Once the Task Force acknowledged the nature of the task the Committee would be asked to perform, it became clear that no advisory list of recommended characteristics for the new Board is likely to be particularly helpful to the Committee when they set out to choose among what will be an extremely talented group of individuals. While the Task Force has invested substantial time and resources into preparing just such an advisory list, it became obvious that the key to the success of the Committee is not the advisory list, but rather that the Committee is composed of individuals with the necessary knowledge of the business of the USOC, knowledge of the proper functioning of boards of directors and ethics committees, and an ability to judge the character, potential, and commitment of the nominees to determine who would be the best Board members for the USOC.

The question that remained for the Task Force was how to select the members of the Nominating and Governance Committee who will be charged with this essential and very delicate and difficult task of selecting a Board with the best collection of individuals to lead the USOC and to make the new governance structure work. To eliminate any risk that the essential selection process of the Nominating and Governance Committee will be politicized, the Task Force believes that all of the members of that Committee should meet the definition of “independence” that applies to “independent directors” on the Board. What the Task Force believes the Committee needs is individuals who understand the role and function of boards of directors, individuals who have a solid understanding of the multi-faceted business of the USOC, and individuals with sufficient stature and credibility that their selections will start with the benefit of a general level of confidence from the United States Olympic community.

The Task Force believes that the careful selection of the members of the Nominating and Governance Committee is an essential function in the eventual success of the USOC, and is confident that the organizations charged with selecting those Committee members will exercise tremendous care in making those selections. The Task Force recommends that there be five (5) members of the Committee, with one member selected by each of the following groups:

1. The Athletes’ Advisory Council;
2. The National Governing Body Council;
3. The Current Public Sector Members of the Board;
4. The Commission; and
5. The Task Force

The Task Force recommends that each of those groups seek individuals for the Nominating and Governance Committee who understand the business of the USOC and its needs, as well as

concepts of Board governance, while at the same time are good judges of character and are capable of selecting an outstanding initial group of Board members.

While the Task Force offers the Nominating and Governance Committee the above-referenced guidance about what they should seek when they select the initial Board members, the Task Force primarily recommends that the Committee members rely upon their judgment in selecting a group of individuals who will know what they know and will know what they do not know and when they need assistance in seeking to establish policies and provide much-needed leadership for the USOC. There is no reasonable way that a list of characteristics or qualifications to be applied during the selection process can substitute for the reasoned judgment of experienced men and women evaluating individuals for important positions of leadership.

7. Subsequent Membership of the USOC Nominating and Governance Committee

The initial five members of the Nominating and Governance Committee will serve for an initial term of just over two years, until July 1, 2006. During that time, the Committee shall be responsible for selecting replacement members of the Ethics Committee and the Board should vacancies occur. If a vacancy occurs on the Nominating and Governance Committee for any reason, the vacancy should be filled by a person selected by the same group that nominated the person vacating the position if the person was nominated by the AAC, NGB Council, or the Public Sector members of the Board. If, however, the person on the Nominating and Governance Committee selected by the Task Force or the Commission were to leave their position (by virtue of death, disability, resignation, removal, or otherwise), the new USOC Board would fill that position for the remainder of the term ending July 1, 2006.

The preliminary concept of the Task Force was that after the initial Board was selected, every two years the new Board would select five individuals to serve on the Nominating and Governance Committee, to replace the initial five members. Two (2) of those five members were to be people meeting the definition of independent director and three (3) were to be members of the Board who were not eligible for re-election to the Board. The Board members would be most knowledgeable about what the Board needed in terms of experience, expertise, and diversity of background and experience.

There was concern expressed about the initial plan, because existing members of the Board would control the committee, and there were concerns about a self-perpetuating Board, with the Board picking both their own members and picking the independent members of the committee. Therefore, the Task Force considered those concerns and changed its recommendation.

From July 1, 2006 forward, every two years new membership of the five-member Nominating and Governance Committee will be selected. The members will consist of three individuals meeting the definition of independent director, and two individuals selected by the USOC Board of Directors from the members of the Board who are not eligible for re-election. The three non-Board members of the Nominating and Governance Committee should be selected, respectively, by the three councils in the Olympic Assembly, the AAC, NGB Council, and the new Multi-Sport Organization Council, and should be individuals meeting the definition

of “independent director.” This composition reflects a change from the initial Task Force proposal, which would have given the new Board control of a majority of the new seats, and takes responsibility for selecting the “independent” members of the Committee from the Board and gives it to the three councils. Based on comments from the Fort Worth meeting, additional input, and further discussion among Task Force members, the Task Force believes that providing the three councils the opportunity to choose three of the new committee members is the most prudent course of action to ensure that there is some significant link between the councils and the Board.

8. The Corporate Officer

The Nominating and Governance Committee shall select from among the members of the initial Board (other than the IOC members) a Chair of the Board, who will serve as the principal officer of the Board. After the initial Chair is selected, subsequent Chairs of the Board shall be selected by the Board from among its members (again, other than the IOC members). The Chair sets meetings and meeting agendas. There shall be only one officer. In the event of the resignation, removal, incapacity, or death of the Chair, the remaining members of the Board shall elect a new Chair or shall wait until after the Nominating and Governance Committee selects a replacement Board member to fill-out the Board before selecting a new Chair. The CEO, in consultation with the Chair and the Board, may decide to have the Chair or other Board members exercise ceremonial or representational functions in the international context, but the CEO shall remain responsible and accountable to the Board for all aspects of relations with international organizations, including the IOC and the International Paralympic Committee, and the bid processes for the Olympic and Paralympic Games. The often document-intensive function of corporate secretary (which includes minute taking, document certification, and corporate action certification and filings) shall be fulfilled by a staff member, the General Counsel, as is the practice in many other organizations.

9. Recommended Terms of Office for the Board Members

The Task Force examined the traditional four-year terms for officers and Board members, beginning at the end of each Olympic quadrennium. That tradition developed before the Summer and Winter Olympic Games were staggered, so now one Olympic Games occurs every two years instead of both Winter and Summer Olympic Games being held in the same year every four years. As a result, the presumed supremacy of the Summer Olympic Games yields complete turnover of USOC officers and Board members under the current system less than two years before the next Winter Olympic Games. In addition, major turnover of all of the governance leadership at the same time is disruptive, creates uncertainty, and is not consistent with ongoing, smooth, professional functioning and governance of the organization. The Task Force is also firmly of the view that four-year terms are not long enough, as the organization will benefit if Board members who have developed substantial understanding of the USOC are given two additional years to utilize that knowledge to help establish strategic plans that will serve the organization well.

The Task Force also believes that it is important for the members of the Board to change regularly, so that the organization will benefit from new ideas and the new energy of new Board members.

Therefore, the Task Force recommends that the Board members' terms be six-year staggered terms, with approximately one third of the Board membership going out of office every two years. While the terms of the initial Board members should start on March 1, 2004 (as explained below), in the future the Task Force recommends that Board members' six-year staggered terms of office should end (and new Board members' terms of office should begin) on the later of the first business day after September 1 every even-numbered year (2006, 2008, 2010, etc.) or the first business day more than thirty days after the conclusion of the Summer Olympic and Paralympic Games. No member of the Board, other than the IOC members, shall serve more than one (1) six-year term, unless elected as Chair. The Chair shall not serve for more than one additional six-year term and in no case more six years as Chair. If a member of the Board serves for less than four years, either because (a) he or she is selected for an initial two-year term or (b) he or she is selected to fill less than four years of a term vacated by a Board member who is removed, resigns, dies, becomes disabled, or otherwise leaves office early, that member can be re-elected to a single six-year term.

After the initial Chair is selected by the Nominating and Governance Committee to serve for the initial 18 months (from March 1, 2004 until September or October 2005) the terms of the initial Board shall be staggered by the Nominating and Governance Committee to yield:

- (a) one (1) independent director with a two (2) year term;
- (b) one (1) athlete director with a two (2) year term;
- (c) one (1) NGB director with a two (2) year term;
- (d) two (2) independent directors with a four (4) year term;
- (e) one (1) athlete director with a six (6) year term;
- (f) one (1) NGB director with a six (6) year term; and
- (g) one (1) independent director with a six(6) year term.

The initial term of the Chair shall be about eighteen months, as described above. The Board shall set the term of any Chair subsequent to the initial Chair. In the event an athlete or NGB director is selected as Chair, they may be re-elected to the Board by the Nominating and Governance Committee when their term expires, because they were already nominated by the Athletes Advisory Council or NGB Council, respectively. The AAC or NGB Council, respectively, shall be required to nominate three additional individuals for each Board position, even if the person occupying the position is standing for re-election. This is a minor change from the Task Force's original recommendations, and is intended to protect the AAC-nominated or NGB Council-nominated Board members with terms less than four years from being subject to pressure to serve their respective council in order to secure a nomination to continue as a member of the Board.

The IOC requirement that United States members of the IOC be members of the Board is troublesome to the Task Force, because it yields special treatment for those Board members different than the treatment of all other members of the Board. The IOC members' terms on the USOC Board will not be limited to six years. Nevertheless, to accommodate the *Olympic Charter*, the Task Force recommends that for the present the United States IOC members' terms

be co-existent with their terms as IOC members, with the hope that there can be a harmonization of the IOC rules and principles of good governance in the future.

Similarly, the fact that United States IOC members will serve on the USOC Board without terminating their IOC membership treats them differently than AAC or NGB Council or NGB officers or directors, who must resign those positions if selected to serve on the USOC Board. The inherent conflict in serving both the USOC and IOC is of concern to the Task Force. At a minimum, the Task Force recommends that the IOC members must be mindful of their fiduciary duties to the USOC and should not be given confidential information or involved in discussions or decisions in which their IOC membership creates a conflict of interest.

10. Role of the Olympic NGBs and the Athletes Advisory Council in Questions Related to the Olympic Games

As explained above, certain provisions in the *Olympic Charter* had to be examined and addressed by the Task Force in formulating its recommendations. One issue concerned the *Olympic Charter* requirement that IOC members be *ex officio* members of the USOC Board.¹² That was resolved by providing for one IOC member vote on the Board and dividing it among the United States IOC members.

The second issue concerned the *Olympic Charter* provision that representatives chosen by the NGBs must constitute the voting majority of the national Olympic committee and its “executive organ.” Currently, the USOC Executive Committee, which is similar in responsibilities to the new Board, has only 35% of its membership composed of representatives of NGBs. In addition, it is the view of the Task Force that this IOC provision is primarily designed to ensure that the governing body making the decisions is concerned about Olympic sport as opposed to other issues, in order that its decisions will further, advance, and protect the Olympic movement. In the view of the Task Force, all of the changes being made are to advance Olympic sport and the Olympic movement, there will be no members on the Board representing constituencies outside the Olympic movement, and the members nominated by the AAC and the NGB Council and the United States IOC members, who collectively control five of the nine votes on the Board, satisfy the spirit and substance of the *Olympic Charter*.

The third issue presented by the *Olympic Charter* is a provision that states that:

¹² When used in the United States, *ex officio* membership on a committee or in a governing body generally has two meanings – both that the person is included in the committee or the body by virtue of another office they hold and that the person will participate by voice in the proceedings, but will not generally have a vote. For example, the current USOC Bylaws provide that the volunteer President of the USOC shall “serve as an *ex officio*, nonvoting member of all Oversight and Governance Committees.” When the Olympic Charter refers to IOC members serving on the Board of their national Olympic committees as *ex officio* members, the intention is not to suggest that they will not vote – rather that they assume their positions on the USOC Board by virtue of their IOC membership. As a result, their term of office on the USOC Board begins and ends when their IOC membership commences and terminates, respectively.

When dealing with questions relating to the Olympic Games, only the votes cast by the executive organ of the NOC and by the national federations affiliated to IFs governing sports included in the programme of the Olympic Games are taken into consideration.

International Olympic Committee, *Olympic Charter*, Rule 32(3) at 55-56 (November 29, 2002). The Task Force recommends that the Bylaws of the USOC be amended to provide that a body, composed of the National Governing Bodies for Olympic sports, the members of the Board, and athlete representatives having 20% of the membership of the body, shall vote on the selection procedures for athletes and officials competing and participating in each Olympic Games. This body will not be nearly as large or cumbersome as the Olympic Assembly, its membership is clearly defined, and its role will be limited to the issues as to which this group has particular expertise – selection criteria for the Olympic Games, thereby avoiding the possibility of perpetuating the constituent-based politics and quid pro quo system that has plagued the USOC.

11. USOC Committees

The Task Force recommends that there shall be no Executive Committee or other committees with authority delegated from the Board. The new Board will be less than half the size of the current USOC Executive Committee and there is no need for a smaller group to conduct the business of the Board. With respect to other committees, the Task Force recommends that, in general, the business of the USOC should be conducted by full time professional staff reporting to, accountable to, and evaluated by the CEO, not by an array of committees populated by part-time volunteers selected by various constituent groups, meeting by conference call and once or a few times each year in hotel conference rooms around the United States.

The Task Force recommends that the new Board start fresh, with only four standing committees to start:

1. Ethics Committee – five (5) members, all five (5) members satisfying the “independent director” definition, with one (1) member also meeting the athlete definition in order to comply with the Act. The members of the Ethics Committee should be selected by the Nominating and Governance Committee. No member of the Board shall serve on the Ethics Committee.
2. Audit Committee – three (3) to five (5) members, all drawn from the Board, with one (1) member meeting the athlete definition in order to comply with the Act.
3. Compensation Committee – three (3) to five (5) members, all drawn from the Board, with one (1) member meeting the athlete definition in order to comply with the Act.
4. Nominating and Governance Committee – five (5) members, selected as described above.

Membership on committees shall not exceed 5 individuals. Committee members shall serve for two year terms, or for such time as the Board determines is appropriate.

Committee assignments, including the designation of Committee Chairs, should be made annually by Board resolution, in consultation with the Nominating and Governance Committee, with the exception of the Nominating and Governance Committee (which is appointed every two years, as described above), and the Ethics Committee, whose members are selected by the Nominating and Governance Committee to serve two year terms. Assignments are made based on a combination of factors, including each individual Board member's expertise and the needs of the USOC. Committee agendas are developed by the Committee Chair in consultation with the appropriate members of management and with the input of other directors. Committee members are expected to attend in person all regularly scheduled committee meetings. Participation by telephone is permitted in exigent circumstances. Each Committee Chair makes a report on committee matters to the Board at the next scheduled Board meeting or as directed by the Board.

The Audit Committee periodically meets separately in executive session with each of management, the USOC's internal auditor, and the USOC's outside auditor. In addition, the Audit Committee, or a designated representative of the Committee, will meet prior to the release of the USOC's financial reports, to review such materials. The USOC's Director of Internal Audit who is responsible for USOC's internal audit function, reports functionally to the Audit Committee and operationally to the CEO.

The composition and roles of the Ethics and Compensation committees, and the Nominating and Governance Committee, are addressed further throughout this document.

The CEO may appoint such advisory task forces or committees as the CEO believes appropriate, and the decision to appoint or not to appoint such a task force or committee is exclusively the CEO's. The CEO shall appoint the members of such task forces or committees, which shall not exceed five (5) individuals in number, and define the mission of such task forces or committees, and shall be responsible for oversight of such groups and for evaluating their performance. In addition, without formally constituting a task force or committee, the CEO, in his or her discretion, may utilize the volunteer services of knowledgeable individuals within the Olympic family to provide assistance.

The Board also has the power to create committees, Task Forces, or advisory groups, to assist the Board in performing its functions. The Task Force recommends that the creation of such groups be kept to a minimum, as the existence of a great many coveted committee positions can create tremendous waste and inefficiency, can interfere with the staff's ability to perform their functions properly, without interference, and can lead to the development of a political patronage system. It is important that the responsibility, power, reporting procedure, and accountability of any additional Board committees be clearly defined, to avoid returning to the current dysfunctional array of governance committees that are accountable to no one. However, it remains the prerogative of the Board to create additional committees if it concludes that such committees are necessary for the Board to fulfill its obligations.

In response to the Task Force's preliminary report to the Board, a few members of certain USOC committees, and others, expressed concern that the Task Force recommended that their committees not be continued. The committees most often discussed in this area were the Membership and Credentials Committee, the Delegation Review Committee, the Anti-Doping Policy Committee, and the International Relations Committee. These individuals expressed the view that the CEO or the staff of the USOC would not be able to perform the work performed by their committees as well as the committees had performed those functions and that the volume of work dictated the existence of these committees. Others expressed concerns that some committees were essential to continue because they involved substantial and important policy issues that require broader consideration. The Task Force studied the concerns that were expressed in some detail. With respect to these committees, the primary basis for the concern was that staff would be unable to perform as well as volunteers in these areas. In the area of international relations, there was the additional concern that volunteers, rather than staff, would be better-received in the international community and in the culture of the IOC. With respect to the Membership and Credentials Committee and the Delegation Review Committee, there was the additional concern expressed that given that committee's role in the supervision of compliance by NGBs, that a committee with many of its members current and former NGB officers and directors would be better able to perform those functions and that committee's directives would be better received by NGBs because of a "peer review" relationship between that committee and the NGBs. The Task Force acknowledges the good work of the committee members to date working within the current system, but the current system must change.

As a first matter, it is important to note that the concerns about eliminating these committees were only expressed by a handful of individuals, many of whom were members of these committees, and others involved with or familiar with those committees fully support their elimination.

"... I think that one of the bits of wisdom behind the USOC Task Force recommendation would be the significant reduction in the number of standing committees, and by their actions, I take it that assigns this review, are NGBs doing their job, to the professionals at the USOC, not to a volunteer group.

While that's important, and I think Bill [Marolt, CEO of US Ski and Snowboard Association] alluded to it, it would tie directly the financial fortunes of NGBs vis-à-vis the USOC to the performance of their jobs. In other words, if an NGB is not developing sound plans and serving their athletes effectively, they would not be as successful at securing USOC funds to pursue their mission. That would inevitably lead to two things: One, internally within the NGB, one would think that those making decisions about who continues to lead the NGB or what the NGB's course would be should take drastic action. For many, the funds are the difference between their continued existence or non-existence; but this is not so much true for larger NGBs.

Secondly, there could be some process, annual review or quadrennial review, by the professional staff of NGBs as to how they are executing their charge, whatever the new Amateur Sports Act and the USOC rules will be."

Testimony of Craig Masback, Chief Executive Officer of United States Track and Field, to the Independent Review Commission at 26-27 (April 25, 2003).

Second, it is the view of the Task Force that the existence of these committees has made it impossible for the CEO or the staff to reach their potential in these areas. For example, in the area of international relations, the responsibility and authority is so divided, as described above, that no one can function effectively, as responsibility and authority are not aligned (the Task Force recognizes that this division in responsibility led, in part, to the issues between the prior President and CEO that got the organization to the position in which it now finds itself). Similarly, in the area of Membership and Credentials, staff positions on issues are all subject to review by the committee, leaving NGBs free to ignore staff views until the staff gets the committee to act. The very existence of these committees takes away the staff's authority, and without authority their effectiveness, and accountability, is limited dramatically.

Third, the fact that these committees meet only a few times per year limits their effectiveness dramatically, yet the matters covered by these committees are important to the achievement of the USOC's Mission. There has been no meaningful oversight of these committees, whether by the Board, by the Executive Committee, or by the CEO. With respect to the argument that the elimination of these committees will create a decline in service to the Olympic family, the Task Force believes that this argument does not give due attention to the fact that USOC staff currently prepare the work of all of these committees and that the only thing the staff does not do is actually make the committee's decisions, which the staff is not empowered to do under the current system. The Task Force believes that the level of service to the Olympic family in these areas will not decline as a result of the elimination of these committees and that an improvement in accountability and performance of these functions will follow.

Fourth, the committees' operations are not efficient. While their members have not been compensated with salaries for their involvement, the USOC has been responsible for the substantial travel costs associated with travel several times a year to cities where the committee members stay in hotels and attend meetings in hotel conference rooms. In addition, as part of the historical representative democracy of the USOC, the committees are composed of representatives of various constituent groups, the membership positions on committees have been part of the USOC political patronage system and means by which one moves up through the ranks of the organization, rather than just an opportunity to advance the Mission of the USOC. Committee members have often been subject to political pressure, and have been required to answer to their constituencies for positions taken as members of the committees, thereby preventing the committees, like the Board, from acting with a primary focus on advancing the USOC and achieving the USOC's Mission.

Fifth, to the extent that volunteers are important to the success of USOC efforts in these areas and the areas now addressed by all the other committees that the Task Force recommends be eliminated, under the Task Force's recommendations the Board and CEO are completely capable of drawing upon their assistance.

12. Management

It is the responsibility of management, in the exercise of its fiduciary duty to the USOC and its stakeholders, to run the USOC in an effective and ethical manner. The CEO is the leader of management and vested with the authority to make final decisions on behalf of management. The CEO, as the person accountable for the performance of the organization, is responsible for determining what responsibilities and authority should be performed directly by the CEO and what should be delegated to others working under the CEO's supervision. Throughout this Report, when there is reference to the CEO being responsible for doing something, it is always the case that the responsibility lies in the first instance with the CEO and can be performed by the CEO or his or her designee.

The Board shall hire and oversee the CEO, who shall be responsible for all staff functions, and who shall not be a member of the Board. The CEO shall oversee the hiring and firing of all staff and the staff's ethical and competent implementation of the Board's policies and operation of the USOC. The CEO shall, either directly or by delegation, manage all staff functions, determine the size and compensation of, hire, and terminate the professional staff in accordance with compensation policies and guidelines established by the Compensation Committee, develop a strategy for achieving the Mission, goals and objectives, present strategic plans for approval by the Board, be responsible for resource generation and allocation, coordinate all international activities of the USOC, act as the USOC's spokesperson, prepare and submit quadrennial and annual budgets to the Board, ensure compliance with all policies issued or established by the Board, and perform all functions as usually and customarily pertain to the office of CEO.

The newly constituted Board shall select the CEO as soon as is reasonably possible after the selection of the full membership of the Board.¹³ The Board's selected CEO shall review all of the business operations of the USOC in accordance with a schedule set by the Board, including issues such as operation of training centers, size and compensation of USOC staff, and location of the USOC's operations, and make recommendations thereon to the Board.

From the beginning of the Task Force's consideration of issues related to the roles of the Board, the Chair, and the CEO, the Task Force was mindful of issues related to the titles and role of the USOC personnel (whether employees or Board members) involved in international relations. In particular, the Task Force was aware of historical concern about the titles of USOC personnel involved in international relations (for example, President versus Chair of the Board, CEO versus Secretary General), the respective roles assigned to paid professional employees

¹³ A number of groups and individuals have suggested that as part of this governance review matters concerning the operations of the USOC, such as the location and existence of training centers, the size and compensation of USOC staff, improvements to the Olympic Games bid process and the process for resolving disputes over NGB membership, and the location of USOC offices, should be undertaken and recommendations should be made thereon. The Task Force believes that as a matter of good governance, and good business, these issues should be addressed by the new Board, along with the individual the new Board selects as CEO, after considering all of the relevant business factors.

versus “volunteer” representatives, and the ceremonial versus substantive business roles of USOC personnel involved in international issues.

In its preliminary recommendations, the Task Force addressed this issue, recommending that the Chair be tasked with ceremonial responsibilities, and that the CEO be tasked with responsibility for the international relations business of the USOC with Board supervision. At the same time, the Task Force recommended that this issue be considered carefully by the new Board, in cooperation with the CEO, on an ongoing basis, to determine the most effective ways for the Board and the CEO to work together to achieve and advance the USOC’s Mission in the area of international relations.

Following the issuance of the preliminary recommendations, the Task Force received and reviewed comments and submissions from many people about the entire subject of international relations. One consistent theme was that the success of the USOC in international relations has historically been limited dramatically by the lack of clear lines of authority or responsibility for international relations. In addition, it became clear that the area of international relations has been a prime area of budgetary abuse without meaningful return on investment for the business side of the organization. When combined with the vague nature of the organization’s Mission, these expenditures have been justified by vague concepts of advancing the Olympic ideal of interaction among nations involved in sport, without any meaningful connection to assisting United States athletes achieve sustained competitive excellence.

Therefore, the Task Force was convinced that in the first instance complete responsibility for international relations needs to be assigned one place within the organization’s governance structure. Given that international relations is a key part of the USOC’s achievement of its Mission, that responsibility must be given to the CEO. Having assigned the CEO the responsibility, the CEO needs the authority to make decisions about how that effort is to be conducted and by whom. Similarly, if the Board is to hold the CEO accountable for the success or failure of the organization, of which the international relations programs and initiatives are but one part, the CEO must have the necessary authority and control.

As a result, the Task Force recommends that the CEO be charged with all international relations responsibility. If the CEO decides that the Chair or someone else should be tasked with ceremonial or other responsibilities in certain circumstances, that decision should be made by the CEO. If the CEO believes that he should have both the title of CEO for domestic purposes and the title of Secretary General for international relations purposes to assist him or her in properly and successfully performing those functions, he should advise the Board and the Board can decide whether to assign him or her that title. Similarly, if the CEO determines that the CEO needs to hire or to secure the services on a paid or unpaid basis of an individual with substantial experience in Olympic international relations to aid the CEO in achieving the USOC’s goals and objectives, that can be done by the CEO, who will remain accountable for the performance of the individual retained to assist and all of the associated costs. It is the strongly held view of the Task Force that to create a separate position with responsibility for international relations separate from the control and oversight of the CEO would violate principles of good governance, and to assign those responsibilities in the first instance to a “volunteer” Chair would recreate

problems and divisions that have plagued the USOC for the past decade and most recently led to a complete leadership breakdown.

13. Board Meetings

The USOC Board shall meet at regularly scheduled meetings at least four (4) times per year and as many other times as the Board determines. In addition to regularly scheduled meetings, unscheduled Board meetings may be called with adequate notice, if needed. Directors are expected to attend in person all regularly scheduled Board meetings, though for exigent circumstances may participate in a meeting by telephone. Directors are required to attend no less than one half of all regularly scheduled Board meetings in person, or the Nominating and Governance Committee may recommend their removal by the Board at the next regularly scheduled meeting of the Board.

The presence of a majority of the voting power (nine votes) of the Board at the time of any meeting constitutes a quorum for the transaction of business, and the act supported by a majority of the votes cast by such directors present at a meeting at which a quorum is present constitutes the act of the Board. The voting power of the Board members who recuse themselves or abstain from voting on a particular issue nevertheless shall be counted for purposes of determining if a quorum is present. Directors may not vote or participate by proxy. The Board may act by unanimous written consent of all directors.

The Chair, in keeping with the Board's plan and in consultation with the CEO and the Chairs of the committees, determines the agenda for the Board meetings. Board members may request items for the inclusion on the agenda for Board meetings.

To encourage free and frank discussions, the Board shall hold not less than two sessions per year in executive session without the CEO present. Additionally, at every meeting, the Board shall have a session with the CEO present, but no other USOC staff. Similarly, the Board shall have the authority to request that any Board or staff member who is the subject of an ethics complaint leave a meeting for a period of time to permit the remaining Board members to discuss the matter. All of these policies will encourage unfettered discussions and constructive problem-solving among Board members.

14. Director Access to Management and Outside Advisors

The USOC's senior management team attends Board meetings on a regular basis, as directed by the Board, both to make special presentations and as a discussion resource.. The senior management team is available to the Board outside of Board meetings, as well. All contact with members of the USOC's management team (or other USOC employees), other than the CEO, initiated by Board members outside of Board meetings should generally be directed to the CEO, though this requirement is not intended to curtail the ability of the internal auditor or the general counsel to advise the Board (as opposed to individual Board members) directly on appropriate matters.

The Board and the committees, consistent with the provisions of their respective charters and their budgets, have the authority to retain such outside counsel, auditors, experts, and other

advisors as they determine necessary to assist them in the performance of their functions. However, in making such decisions about retention of outside experts in matters not involving the USOC's management, the Board shall consult with USOC executives with operational authority for the areas of expertise in which the outside counsel, auditors, experts and other advisors on the selection, scope of work, and remuneration of such individuals.

15. Communications with the Board

To facilitate the ability of interested parties to communicate their concerns or questions, the USOC will publish on its website a mailing address and an e-mail address for communications directly with the Chair of the Board.

In addition, the USOC will publish on its website a procedure for communicating with the Chair of the Audit Committee regarding, internal accounting controls, or auditing matters.

16. Director Orientation & Continuing Education

Directors will participate in an orientation program to assist in familiarizing them with the USOC's business and their responsibilities as directors. The Chair of the Nominating and Governance Committee is responsible for working with the CEO to ensure that an appropriate orientation program is provided to directors before they assume office as directors. Work on the orientation materials should start immediately, in order that a proper orientation program and all necessary materials and information will be available to the initial members of the new Board as soon as they are selected to serve in early 2004.

The orientation program should address at a minimum the USOC's corporate powers and limitations; the USOC's legal and regulatory environment; an overview of the Mission, key performance indicators, strategic goals and risks; the USOC workforce; the USOC's corporate governance; and the financial structure, budgets, resources, and financial planning and the relationship between the Board and management. Orientation sessions focused on committee functions should also be organized by the Nominating and Governance Committee in cooperation with the CEO for new members of the USOC committees.

The USOC should support directors' periodic participation in continuing education programs to assist them in performing their Board responsibilities.

17. Board Performance Evaluations

The Board's performance can have an important effect on the overall, long-term performance of the USOC. The Board shall conduct an annual self-evaluation to assess its effectiveness, on the basis of criteria developed by the Nominating and Governance Committee and approved by the Board. This self-assessment will provide both tangible and intangible benefits to the Board by providing an opportunity: (1) to refresh the Board's understanding of its role and responsibilities; (2) to identify important areas of Board operation that need attention or improvement; (3) to shape the future structure and operations of the Board; (4) to define the criteria for an effective and successful Board, to build trust, respect, and communication among Board members and with the CEO; and (5) to enable individual Board members to work more

effectively as part of a team. *Self-Assessment for Nonprofit Governing Boards: A User's Guide and Questionnaire*, Center for Nonprofit Boards, 1999. When undertaking this self-assessment, the Board should focus on the following goals:

- Refocus on the USOC's Mission
- Assess Whether the USOC's Efforts Are Benefiting United States Athletes to the Maximum Extent Possible
- Ensure Adequate Financial Resources for the Short-Term and the Long-Run of the Organization, Anticipating Possible Negative Financial Events
- Provide Effective Fiscal Oversight
- Understand and Clarify the Relationship Between Board and CEO and between Board and Staff
- Assess the Performance of the USOC Committees
- Carefully Select and Orient New Board Members
- Organize So That the Board Operates Efficiently

The self-assessment process should be structured and pursued vigorously, to ensure that the Board is fulfilling its role and is accountable for its performance and the results achieved. Each of the Board's committees shall also conduct an annual self-evaluation. The results of the self-assessment of the Board shall be released only to the members of the Board, unless the Board decides otherwise.

18. Removal of Members of the Board or Committees

One issue that confronted the USOC during the period when the Action Plan was formulated and the Task Force was created concerned the removal of members of the Board and committees. Removal of Board and committee members is a component of governance, as it relates to precisely who will be governing the organization. In addition, as the USOC Mission requires that the organization preserve the Olympic ideals, it is essential that the USOC review conduct alleged not to be consistent with those ideals and consider remedial or disciplinary action if a violation of USOC policies occurs. Finally, transparency requires that there be clear policies concerning these issues, to make it clear that the USOC takes such matters very seriously and has enacted policies to deal with such situations if they arise.

The current USOC Constitution and Bylaws do not provide substantial guidance concerning the procedures to be followed if removal of a Board or committee member is contemplated. While the Task Force shares the optimism that may have motivated the view that such a provision may never be necessary, for circumstances in which it may be necessary, a clear, simple set of procedures should be included.

As a first matter, there should be streamlined procedures for removing a Board or committee member who is unwilling or unable to attend meetings on a consistent basis. There should be minimum numerical requirements for attendance, with the opportunity for absences to be excused in special circumstances, followed by a hearing before the Board if attendance is inadequate during a specified period of time.

Second, if a Board or committee member is alleged to have violated the Code of Ethics or other USOC policies concerning behavior or has engaged in conduct that reflects badly on the USOC or its commitment to and responsibility for the Olympic Games, the person whose conduct is at issue should be advised of the allegations and should have an opportunity to be heard before the full Board. The Board should be permitted to deliberate in Executive Session without the person at issue present, and a vote greater than a majority (the Task Force recommends 2/3 of the votes cast – which would require 5 out of 7 or 5 2/3 out of 8) should be necessary to remove a sitting member of the Board or a committee over that person's objection. Procedures for the conduct of such a proceeding should be outlined generally in the Bylaws, to be administered by the Board.

Third, the Bylaws should be clear that proper expression of views contrary to the majority or proper disclosure of improper conduct by one or more persons associated with the USOC must not constitute the reason for removal of a Board or committee member.

Fourth, the Bylaws should have standard provisions addressing the removal and replacement of Board and committee members in the event that they die, tender their resignation, become mentally incompetent, or otherwise become unable to continue to serve.

Fifth, there should be provisions for removal or consideration of removal of Ethics Committee members or independent directors on the Board (or any other committee member whose committee membership requires that the individual satisfy the "independent director" requirements) in the event that they enter into agreements or relationships or accept employment that renders them no longer independent. As specified above, the decision in these circumstances should be made by the members of the Board whose independence is not at issue after receiving advice from the Ethics Committee.

The Task Force recommends that the new Board examine these issues and determine an appropriate, streamlined, and fair process for dealing with the possibility of removal of directors and committee members that is consistent with these principles and any other appropriate governance principles.

19. Compensation Committee/Management Evaluation & Succession

The Compensation Committee shall conduct an annual review of the performance of the Chair and the CEO. The review of the Chair shall not relate to Compensation, as no Board members shall be paid. The Chair and CEO are not present when the Committee meets to evaluate their performance. The Compensation Committee Chair reports on that evaluation to the Board.

On an annual basis, the Compensation Committee and the Board review management succession planning with the Chair and CEO. The CEO meets in executive session with the Board on at least an annual basis to discuss succession planning for the CEO and the USOC's key executives.

20. Need for Increased USOC Oversight and Supervision of Performance of National Governing Bodies

After the preliminary presentation of the Task Force recommendations at the April 2003 Board meeting, one consistent theme of those individuals and organizations responding to the recommendations has been that the proposed reforms will be insufficient unless they are accompanied by the USOC doing a much better job at fulfilling its obligations under the Act to review and improve the performance of the NGBs, as it is the NGBs that have primary responsibility for supporting top-level athletes in the various Olympic sports.

... NGBs have multiple functions. It needs to be ensured that they are fulfilling their function as an NGB and supplying funds to programs for athletes. My experience, seeing the audit report several times, NGBs get various degrees of funding from the USOC. Those NGBs where they get 95 percent of their funding still have to focus on the athletes and building those athletes. If they are not serving in that it is because they are getting pressure from other areas, meaning non-Olympic sports, for instance, or masters or other membership functions, that needs to be evaluated as a board function as part of continued compliance for membership of an NGB in the United States Olympic Committee.

Testimony of Norman Bellingham, Senior Vice President of Strategic Planning for Turner Broadcasting, to the Independent Review Commission at 25-26, 35-36 (April 25, 2003).

“NGBs are the backbone of the USOC. Many of them are in poor financial condition as a result of years of mismanagement and many are not functioning at acceptable ethical levels. To contemplate restructuring the USOC without likewise restructuring the NGBs would be a failure to address the real problem facing the USOC. It must be acknowledged, some NGBs are run well and they should be left alone as a result.”

Christopher L. Campbell, Esq., Recommendations Concerning the Mission and Structure of the United States Olympic Committee presented to the Independent Review Commission at 6-7 (April 24, 2003).

“... US Soccer recognizes that the NGB's can suffer from many of the same problems of conflicted loyalties, inefficiencies and politics. Therefore, we would recommend that any revision of the Amateur Sports Act require the NGB's to become more efficient in their structures and governance.”

Letter from Dr. S. Robert Contiguglia, President of the United States Soccer Federation, to Jeffrey Benz, Esq., General Counsel of the USOC, as counsel to the USOC Governance and Ethics Task Force at 1 (April 22, 2003).

“The fifth element is the enhancement of the governance of the NGB's, the national governing bodies. I would urge you to consider the fact that the USOC is

a reflection of the NGB's. Reforming the USOC without reforming the NGB's is like pruning a tree without examining its roots."

Testimony of Ms. Anita L. DeFrantz, Senior Member of the IOC, to the United States Senate Committee on Commerce, Science, and Transportation, Hearing on USOC Reform at 60 (February 13, 2003).

"Once restructuring is complete, the question remains whether the USOC's new mission and structure will be reflected at the NGB level. The answer is critical, because the USOC will now function under the new guidelines and governance, while the NGBs will continue to operate under its old guidelines and continue to struggle through their own bureaucracy, as the USOC did.

If the conclusion is that the USOC should focus its mission, then to be effective the NGBs need to focus their mission as well. This may mean requiring an NGB structure that will give greater representation to the constituents of the NGB that further the USOC mission."

Statement of Sandra Patrick Farmer before the Independent Review Commission at 3-4 (April 25, 2003).

"Member Organizations of the USOC must be subject to requirements, which ensure continued compliance with the mission of the USOC, specific performance markers, fiscal responsibility and accountability. . . .

To be a member, NGBs must demonstrate that they can focus on the objectives of why they were selected as the organization to prepare and promote athletes for international competition."

Remarks of Jon Fish to the Independent Review Commission at 1-3 (April 25, 2003).

21. International Relations

After the Task Force presented its preliminary report, concerns about the Task Force recommendations in the area of international relations were expressed, with the concerns focusing primarily on the issues already considered and examined by the Task Force. Beyond those identified above, the concern was expressed that members of the international community do not afford respect or recognition to individuals who have not already spent a tremendous amount of time involved in Olympic international relations or who are paid staff members of Olympic organizations.

The Task Force is aware of these concerns and does not dismiss them, although the task force is aware that paid staff persons involved in sports organizations are accorded recognition in the international Olympic movement. At the same time, it is the view of the Task Force that the proposed solutions – to appoint individuals to serve extremely long terms as virtually unaccountable representatives in the area of international relations, to create additional officers

on the Board with operational responsibility in the international relations area, or to take responsibility for international relations away from the CEO, are all completely unacceptable. The system proposed by the Task Force provides substantial flexibility for the Board and the CEO to address these issues collectively, and to do so in ways that will improve the USOC's international relations and will be responsive to the concerns that have been expressed without giving one or more individuals unfettered jurisdiction to operate independent of the CEO in the important area of international relations. International relations in the Olympic movement must be integrated by the CEO with all other USOC initiatives to develop an overall, coordinated strategy for accomplishment of the Mission and the goals and objectives of the USOC, both in the short run and for the long term.

22. The Cost Effect of These Changes

The annual cost of existing USOC governance for the period 1996 through 2002 was approximately \$1.8 million (this figure includes the costs associated with the Board, Executive Committee, AAC, NGB Council, the committees, and several CEO search processes (which cost the USOC approximately \$300,000 per search)). The Task Force believes that if its governance changes are fully implemented, the USOC could save over \$1 million per year in governance costs. The Task Force believes the direct financial benefits are much greater but cannot be quantified because of the difficulty estimating the savings that accrue from reducing the burdens governance of the existing size and complexity places on staff time and responsibilities. Annual cost savings of this sort would accrue to the benefit of the NGBs and athletes the USOC is responsible for serving.

23. The Transition

The problems facing the USOC have effectively eliminated the organization's ability to govern properly for at least the past twelve months, if not longer. Long range planning cannot occur, and the 124-member Board, nominally charged with responsibility for the governance of the organization, has become a lame duck Board, waiting for a new governance structure to replace them. The Task Force believes the changes recommended in this report should be implemented as fast as possible, and the full package of changes should be implemented no later than by the Spring of 2004.

Concern has been expressed about two issues – interfering with U.S. preparation for the 2004 Olympic Games in Athens and distracting U.S. NGBs from the task at hand – helping US athletes prepare for the 2004 Olympic and Paralympic Games. The Task Force is mindful of those concerns, but believes the transition can be accomplished quickly and efficiently in ways that will minimize those concerns.

Given the fact that there is an Olympic Games, summer or winter, every two years, there will never be a year during which athletes and NGBs are not in the midst of intense preparation for upcoming Olympic and Paralympic competition. However, the substantial majority of the preparation for the Athens Games is already underway and has been implemented by staff without substantial involvement of the governance process. There are no decision points concerning the Athens Games that require the current governance structure to become involved in a manner that the new proposed governance structure could not handle. There are also

substantial reasons to have in place before the Athens Games the new USOC leadership so that the USOC can take advantage of the substantial international relations opportunities that present themselves at the Games, particularly given that the U.S. is bidding on the 2012 Olympic Games and that decision by the IOC will occur in 2005. Considering these factors with the fact that the USOC will not be able to start moving forward and benefiting from the proposed changes until the changes are implemented, the Task Force recommends the following transition timeline schedule:

Task Force Report and Proposed Changes are Approved	October, 2003
Members of USOC Nominating and Governance Committee are Selected	October 31, 2003
Target Date for Submission of Nominations for USOC Board to Nominating and Governance Committee	November 30, 2003
USOC Nominating and Governance Committee to Select Members of USOC Ethics Committee	December 15, 2003
Members of USOC Ethics Committee Review Independence And Conflict of Interest Issues Concerning Board Nominees	December 15, 2003 to January 25, 2004
USOC Board of Directors Members Selected by Nominating and Governance Committee and Begin Board Education Process	February 1, 2004
New USOC Board Assumes Office	March 1, 2004
USOC Board Selects CEO	Target Date: May 1, 2004

The Task Force recognizes that some of these matters may be addressed by Congressional legislation, which may be developed as early as this Summer.¹⁴ Should that legislation dictate a different structure or timing, the Task Force obviously recommends that the USOC act in accord with those requirements. However, should such legislative guidance not be forthcoming, the Task Force believes the USOC must move forward independently to implement needed structural changes.

¹⁴ The Task Force recommends that if legislation concerning governance issues (such as the size, selection, and composition of the Board) is proposed, that such legislation balance the need for protecting the organization from backsliding into past practice with the need for the organization to be able to be nimble and responsive to a changing business environment without the need to seek Congressional legislation to do so. While the Task Force does not generally believe that concepts of good governance have much place in legislation, the Task Force understands that legislation in this area may be proposed so the Task Force has included suggested basic legislation in this area in Appendix IV to this Report.

In the meantime, as the transition is progressing, the Task Force recommends that the USOC commence transition in other ways short of legislation as soon as possible. Among other things, the USOC's policy manual should be reviewed to determine whether USOC policies can be revised or eliminated based on these principles. The most noteworthy of such policies requiring elimination or revision to be consistent with these recommendations include those policies addressing international relations (Policy XII-1) and ethics (Policy III-1). In addition, the Task Force recommends that the cost of governance be minimized as much as possible during this transition period, including reduction or cessation of the activities of committees where such activities are not essential to fulfill the USOC's Mission. The Task Force also recommends that the Executive Committee of the USOC vote on endorsing or not endorsing some or all of these recommendations as soon as possible.

C. ETHICS

Summary of Recommendations

Background

- The USOC and its member organizations must have a complete commitment to and unyielding compliance with the USOC ethics policies.

Recommendations

- The Board should adopt a new Code of Ethics (the "Code") applicable to all employees, as well as to all members of the Board and of Board committees ("Covered Individuals").
- All member organizations should be required to adopt and comply with the new Code.

The Ethics Program

- The Ethics program should be modified to focus on a continuous effort to identify and avoid potential conflicts of interest and to adopt a proactive, supportive culture instead of a policing function.
- Two key aspects of the Ethics program should be:
 - Ethics disclosure guidelines and education programs for all USOC personnel to raise their awareness of potential issues
 - Required ethics disclosure before any USOC employee is hired and before any Board or committee member begins performing any work on behalf of the USOC.
- Must thoroughly identify all potential conflicts of interest.

Ethics Education

- Ethics education programs should be designed to communicate the USOC's commitment to the highest ethical standards.
- Attendance at ethics seminars should be mandatory for all Covered Individuals.

Ethics Provision in Constitution and Bylaws

- The USOC should insert language in the new Bylaws urging USOC personnel to promote ethical behavior.

Protected Reporting of Ethics Concerns

- The USOC should create a toll-free number and/or a confidential e-mail address to facilitate the anonymous transmission of questions relating to the Code or suspected violations of the Code.
- All Covered Individuals should be required to cooperate in any investigation of issues related to the Code.

Disclosure

- The USOC should improve its disclosure forms to increase the disclosure of potential conflicts so that they can be identified and avoided.
- All Covered Individuals should be asked to disclose broadly all activities, financial interests, and relationships that might at some time or in some circumstance constitute actual or apparent conflicts of interest.

The Ethics Officer

- The primary focus of the Ethics Officer should be on ethics education and identification and prevention of actual or apparent conflicts of interest.
- The Ethics Officer shall certify to the Ethics Committee that all Covered Individuals are current on their submission of completed ethics disclosure forms.
- The Ethics Officer should report to the Chair of the Board and the Chair of the Ethics Committee.

The Ethics Committee

- The charge of the Ethics Committee should be to work with the Ethics Officer to provide oversight and ethics policy guidance, review difficult ethical issues, investigate allegations of unethical behavior, and make recommendations concerning potential improvements in ethics education, prevention, and compliance.
- The five members of the Ethics Committee shall be selected by the Nominating and Governance Committee from among individuals who meet the definition of independent directors, but shall include one athlete as provided in the Act.
- The Ethics Committee should be independent and have the freedom to investigate all ethical issues.

Ethical Conduct of the Business of the Board and Management

- The Board must set the tone for the USOC and the entire Olympic family.
- The CEO must set the tone for the management and staff of the USOC.

Ethical Behavior by NGBs

- The same principles and policies of ethical behavior discussed above should be applied by the NGBs.

Recommendations

1. Background

Beyond the issues of organizational structure, the USOC has had a basic failing of its ethics process. While the USOC policies are fairly well designed and nominally acknowledge the obligation of everyone associated with the Olympic movement to maintain the highest standards of ethics and integrity, in practice those policies have in too many situations been ignored.

The Task Force does not mean to suggest that many or even a substantial portion of the hundreds of people on the Board and Committees, or the staff have engaged in unethical behavior. However, certain volunteers, including officers, have apparently believed that they may use their positions with the USOC to afford themselves and their friends and family members various benefits and business opportunities belonging to the USOC.

There have been situations in which staff members have raised concerns about the conduct of volunteers and at times not only have those concerns been ignored but it has been suggested that the staff should not have spoken. At the same time, there have been situations in which staff and volunteers have leaked confidential USOC and USOC employee information to the media in an improper effort to embarrass and discredit the personnel referenced in the materials released to the media.

The reporting and roles of the Ethics Committee and the Ethics Officer have not been clearly defined.

One fundamental flaw in the current USOC ethics program has been the failure adequately to implement, emphasize, and enforce ethics education programs. Another flaw has been a failure to use ethics disclosure to anticipate potential ethical concerns and a failure to take steps to prevent an ethics violation from occurring. In addition, the failure by people in leadership positions to abide by the ethical mandates of the USOC programs has created an environment and a culture that has simply not responded to concerns about ethical behavior with sufficient seriousness of purpose.

It is simply unacceptable for the USOC to maintain and display anything other than the highest standards of ethical behavior. Unethical behavior is directly contrary to the Mission, which requires the USOC to preserve and abide by the Olympic ideals. The organization's culture must change and the changes must be the most fundamental at the top of the organization. Complete commitment to and unyielding compliance with the USOC ethics policies must be a prerequisite for participation in the USOC and, in turn, its member organizations.

2. Recommendations

The Board shall adopt a new Code of Ethics (the "Code") applicable to all employees, as well as to all members of the Board and of Board committees and others associated with the USOC (hereinafter "Covered Individuals"). Each employee, director, committee member, and

others associated with the USOC must annually certify compliance with the Code. Additionally, all member organizations of the U.S. Olympic family should be required to adopt and comply with the letter and spirit of the revised Code. The USOC should take steps to review the ethics policies of all NGBs to bring their policies and practices in line with the policies set out in this report and in the Code. The Ethics Committee, in cooperation with the Ethics Officer, is responsible for overseeing implementation of, and compliance with, the Code.

a. The Ethics Program

The Ethics program should be modified to focus on a comprehensive, ongoing effort to identify possible conflicts of interest, followed by steps to be taken to prevent potential conflicts from becoming actual or apparent conflicts. One aspect of the program will be ethics disclosure guidelines and education programs for all USOC personnel to raise their consciousness and improve their understanding of ethical behavior and to educate them about the disclosures required on the annual USOC Potential Conflicts of Interest forms. Another aspect will be to require ethics disclosure before any USOC employee is hired and before any Board or Committee member begins performing any work on behalf of the USOC. In addition, personnel will only be permitted to work on USOC business if they keep their annual disclosure forms current.

Review by the Ethics Officer will be an important component of the ethics program. The annual disclosure forms will be reviewed to identify potential conflicts of interest. The Ethics Officer, with the assistance of the Ethics Committee when necessary, will work with personnel to identify potential conflicts of interest and identify steps to be taken to prevent those potential conflicts from becoming actual or apparent conflicts. In addition, the Ethics Officer will work with the Chair of the Board, chairs of other committees, and employees throughout the USOC to identify and examine, on an ongoing basis, businesses and individuals who might be affected by decisions and to confer with all personnel involved in issuing such decisions to identify personnel with potential conflicts.

A program to ensure that the USOC's conduct is always consistent with ethical behavior must become a central focus of all aspects of operations. Beyond the annual disclosures, whenever employees or a committee will be addressing issues related to businesses and individuals associated with the USOC or a potential business opportunity available to the USOC, the decision making process needs to be preceded by an identification of all people, organizations, and businesses that might be benefited or harmed by the potential decisions. Once those individuals, organizations, and businesses are identified, all personnel involved (whether they are employees, Board members, committee members, or others working with the USOC), should be interviewed, to see if they might have an outside personal or business relationship with those individuals, organizations, or businesses, or if there is any other association that might create an actual or apparent conflict of interest. If such a potential conflict is identified, preventive action must be taken, with the involvement and guidance of the Ethics Officer (and the Ethics Committee, if necessary), to address the concern. In some circumstances, merely disclosing the relationship to the other personnel involved may be enough to eliminate any ethical concerns. In other situations, it may be necessary to screen

the person with the relationship from any involvement in the decision making process, even ensuring that the person with the potential conflict not discuss any aspect of the decision with anyone else associated with the USOC. However, if the potential conflict is identified before the decision making process commences, the potential problem is documented, and the preventive or remedial steps are taken, the organization can avoid allowing actual conflicts to occur, while creating a record that will refute any appearance of conflict.

It is essential that the ethics program be comprehensive and effective and that it apply equally to all personnel, at all levels of the organization. There must be processes to ensure that ethical concerns can be expressed by personnel (and that all personnel are made aware of their obligation to express such concerns to the appropriate personnel charged with operation of the ethics program), without fear of adverse consequences for individuals expressing such concerns. At the same time, it is essential that personnel raising ethical concerns see that all such concerns are taken seriously and are dealt with promptly and effectively. The Code recommended by the Task Force is attached as Appendix IV.

b. Ethics Education

Ethics education programs need to be designed to communicate the organization's commitment to implementation and enforcement of the highest ethical standards. The education programs should include clear direction about how to apply and comply with the Code.

The Ethics Officer shall brief all Covered Individuals annually on the requirements of the Code at annual ethics seminars, and shall distribute appropriate training materials to all USOC Covered Individuals at that time. The Ethics Officer shall also distribute opinion surveys to all Covered Individuals that seek feedback on the scope and content of the Code and the training materials. Attendance at the ethics seminars should be mandatory for all Covered Individuals and attendance shall be recorded by the Ethics Officer and the Human Resources Division if for an employee, or by the Ethics Officer and the Ethics Committee if for a board or committee member. The Ethics Officer shall also have regularly-scheduled ethics seminars for the benefit of newly-retained employees and governance participants. Each new paid employee must attend a scheduled Ethics Seminar within the first month of his or her employment at the USOC, and Board members, committee members, and other persons involved in governance should attend such a seminar before they begin their service or within a month of commencement of that service. Ethics education should also be delivered by the Internet or by the USOC's intranet. Failure to attend an ethics education program on a timely basis should lead to preventive, corrective, or even punitive measures.

c. Ethics Provision in Bylaws

The USOC should consider inserting language similar to the following in the new USOC Bylaws:

All USOC personnel should promote ethical behavior and take steps to ensure that the USOC: (a) encourages employees, and Board members, and committee

members to address ethical concerns, and to talk to supervisors, managers and, the Ethics Officer, when in doubt about the best course of action in a particular situation; (b) encourages everyone associated with the USOC to report, on a confidential basis, violations of laws, rules, regulations or the USOC's Code of Ethics to the Ethics Officer or the Ethics Committee; and (c) informs USOC personnel that the USOC will not allow retaliation for reports made in good faith concerning ethical behavior or the violation of laws, rules, regulations, or USOC's Code of Ethics.

d. Protected Reporting of Ethics Concerns

The USOC shall create a toll-free number and/or confidential e-mail address (and if appropriate a website) to facilitate the anonymous transmission of questions relating to the Code and/or the reporting of suspected violations of or concerns about the Code. The Ethics Officer shall also publicize the existence of this toll-free number and/or e-mail address (and/or web access) on the USOC's website, on the USOC's intranet, and via in-house communications with USOC personnel.

The Ethics Committee shall require all Covered Individuals, as a condition of their employment or service with the USOC, to cooperate fully and truthfully in any investigation of issues related to the Code. The Ethics Officer should consult with the General Counsel to determine the circumstances in which such investigations might implicate legal privilege, civil or criminal liability, or other issues of a purely legal nature and how those issues should be addressed.

e. Disclosure

The USOC should improve its disclosure forms. The goal is to increase disclosure of potential conflicts, so that they can be identified and avoided, without requiring the disclosure of financial information or other personal information that is invasive and unnecessary. On the one hand, it is not necessary to require people associated with the USOC to disclose every asset they or their family members own (as a previous disclosure form required), because there are many assets that do not generally create potential conflicts of interest. At the same time, if family members of close friends of someone working for the USOC are employed by companies with which the USOC conducts business, the appearance of a conflict or an actual conflict may come into existence if that USOC representative is involved in USOC decision making that affects those companies. As a result, close association of any kind with a person or entity that is affected by the USOC's conducting of its business operations should be disclosed. Once disclosed, steps can be taken to ensure that the USOC's decisions are not improperly influenced by such a relationship or association.

All Covered Individuals will be asked to disclose broadly all activities, financial interests, and relationships, including personal or business interests of members of their family, that might at some point in time, in some circumstance, constitute a conflict of interest or an ethical concern or create the appearance of a conflict. A draft "USOC Potential Conflict of Interests Disclosure Instructions" and "USOC Potential Conflict of Interests Disclosure Statement" are attached as Appendices V and VI.

The key to a successful ethics program is advanced disclosure and prevention of ethics issues, not detection of violations. The essential first step is the proper understanding and careful completion of potential conflicts of interest disclosure forms. All Covered Individuals should complete and submit the Potential Conflicts of Interest disclosure form to the Ethics Officer on an annual basis. Every individual governed by the revised Code shall supplement his or her Potential Conflicts of Interest disclosure form in writing in advance of the next regularly scheduled submission whenever it appears that the individual may have encountered a conflict of interest, ethical concern or a situation that may create the appearance of a conflict of interest. The Ethics Officer shall acknowledge receipt of the ethics disclosure form (and any supplemental disclosures) in writing. Two weeks in advance of the submission deadline for Potential Conflict of Interest disclosure forms, the Ethics Officer shall also send written reminders to every Covered Individual to complete and submit their ethics disclosure forms.

Before USOC employees are hired and before Board and committee members start to perform their duties, they must receive ethics education and complete the potential conflicts of interest forms. The Ethics Committee shall require all prospective employees and Board members, committee members, and other USOC personnel to complete and submit a potential conflicts of interest disclosure form before an offer of employment or service may be extended. The Ethics Officer shall maintain a written record of persons who have completed and submitted the potential conflicts of interest disclosure forms in a timely manner. The Ethics Officer will be responsible for maintaining a filing system, both hard copy and electronic, tracking the USOC's receipt of completed disclosure forms.

3. The Ethics Officer

The Ethics Officer shall, on an annual basis, certify to the Ethics Committee that all Covered Individuals are current on their submissions of completed ethics disclosure forms, with any failures to complete the required forms reported to the Board. In the event a Covered Individual fails to timely submit a potential conflicts of interest disclosure form and the Ethics Officer is unable to remedy the situation quickly, the Ethics Committee can recommend to the CEO that certain disciplinary action would be appropriate, which may include the recommendation of reprimands or placing an employee on unpaid leave from the USOC for a period of time, or other sanctions if necessary. In the case of an individual involved in governance, the Ethics Committee may take action concerning the failure of such individuals to complete the required forms.

The policies and procedures should be designed to mandate that actual conflicts of interest and appearances of conflict do not occur, or when they occur, are handled in an effective and professional manner, to ensure that the interests of the USOC are not compromised and that the USOC conducts its affairs on a basis consistent with the great trust that has been placed in the USOC.

The Ethics Officer shall promptly review each completed ethics disclosure form upon its submission by the Covered Individual. The Ethics Officer shall, within two weeks of the receipt of a completed ethics disclosure form, forward to the Ethics Committee a copy of each completed form that, in the opinion of the Ethics Officer, presents an actual or potential conflict of

interest. The Ethics Officer shall at that time also confer with the individual who submitted the form and the Ethics Committee about preventive or corrective steps to be taken to avoid the potential conflict of interest becoming an apparent or actual conflict or to remedy or correct an existing actual or apparent conflict. The Ethics Officer should make recommendations for review by the Ethics Committee about the best way to resolve the ethical issue. The Ethics Committee shall then make any necessary recommendations to the CEO as soon as possible, and at least within two weeks after receipt of such recommendation(s) of the Ethics Officer. Emergency procedures will be issued to address situations in which immediate action is necessary.

The primary focus of the Ethics Officer will be on ethics education, and identification and prevention of actual or apparent conflicts of interest. Ethical behavior and conduct is obviously broader than just avoiding conflicts of interest and overall ethics education and encouraging ethical behavior and an ethical culture at the USOC will also be within the purview of the Ethics Officer. The change in name of the position from "Ethics Compliance Officer" to "Ethics Officer" is intended to reflect the change in focus from compliance and detection to ethics education and anticipation and prevention of ethical problems before they arise. The Ethics Officer should be focused on educating all USOC personnel - Board and committee members, employees, and others, regarding issues related to ethical behavior. The ethics education process specifically includes education about identifying potential conflicts of interest and making full disclosure of all potential conflicts of interest, both through the annual disclosure form and as new conflicts arise during the year. The education effort should include conducting training and workshops for staff and Board and committee members. The Ethics Officer should work with the Chair of the Board and the chairs of the other USOC committees to help the Board and the USOC committees develop procedures by which as new issues come before the Board or USOC committees, the outside individuals, organizations, and businesses that might be involved in or affected by the USOC decision making are identified and everyone involved in USOC decision making is consulted to identify any potential conflicts USOC decision makers may be facing, and then implement preventive or remedial steps to prevent the development of actual or apparent conflicts. In addition, the Ethics Officer should provide education and training to USOC employees, Board members, and other USOC personnel involved in the Bid City process, both to identify and avoid potential conflicts of interest and to educate everyone involved about the rules and issues relating to the selection process.

At the same time, the roles of the Ethics Officer, the General Counsel, and the Director of Human Resources need to be clarified, both to facilitate those individuals and their staffs working together on various issues of overlapping authority, and to ensure that (a) human resource and employment issues are handled properly and in a manner consistent with USOC employment policies, and (b) issues raising legal concerns are addressed with an understanding of the legal issues and in a manner consistent with the legal policies of the USOC. For example, compliance with USOC policies concerning nondiscrimination may raise employment and human resources issues, as well as legal issues. Dealing with those policies in a fair and honest manner may present ethical concerns as well, but the primary issues are legal and employment issues, so USOC policies and procedures should be clarified to place responsibility for those issues with the General Counsel's office, in cooperation and consultation with the Human Resources office.

The process of evaluating the performance of the Ethics Officer shall be established by the Ethics Committee, in consultation with the CEO. The Ethics Officer's evaluation and

performance review shall be designed in a manner that furthers the objective of the day-to-day business of the USOC being run by employees under the direction of the CEO. At the same time, safeguards should be implemented, including perhaps involvement of the Ethics Committee, to ensure that the Ethics Officer will be able to perform the functions required of his or position without concern that proper education about and enforcement of ethical behavior will adversely affect the evaluation and compensation of the Ethics Officer.

The Ethics Committee, in consultation with the CEO and approval by the Board, shall hire the Ethics Officer. The Ethics Officer shall be reviewed by the Ethics Committee and the CEO. The USOC shall give the Ethics Officer all the necessary authority and resources to discharge his or her responsibilities. The Ethics Officer may be removed only by the Chair of the Board or the CEO, with the concurrence of a voting majority of the Ethics Committee or the concurrence of a voting majority of the Board.

The Ethics Officer should report to the Chair of the Board and the Chair of the Ethics Committee. The Ethics Officer should also work with the Human Resources, Legal, Finance, and Audit departments, as well as with the Audit committee, and the CEO, as necessary. The job description of the Ethics Officer should reflect all of the foregoing.

4. The Ethics Committee

The five members of the Ethics Committee shall be selected by the Nominating and Governance Committee from among individuals who meet the definition of independent, but shall include one "athlete" as provided in the Act. The Ethics Committee shall report to the Board on all ethical issues, but no member of the Board may serve on the Ethics Committee.

The charge of the Ethics Committee should be clarified to detail the role of the committee in working with the Ethics Officer and providing oversight and ethics policy guidance, reviewing difficult ethical issues, investigating allegations of unethical behavior, and making recommendations concerning potential improvements in the design and operation of the Ethics education, prevention, and compliance programs. With respect to situations in which prevention does not prevent allegations of ethical violations from occurring, the Ethics Committee shall investigate alleged violations and report its factual findings to the CEO or the Board, as appropriate. Violations and other ethical concerns will be investigated by the Ethics Committee or by a person or persons designated by the Ethics Committee. Upon completion of any investigation, the person or persons designated by the Ethics Committee shall transmit a written report and findings of the investigation to the Ethics Committee. If the Ethics Committee determines that a violation of USOC policies has occurred, its reporting to the Board or the CEO should be in writing and should include specific recommendations about what remedial, disciplinary and/or punitive action should be taken or recommendations concerning possible alternative actions to be taken, and recommendations concerning other factors for the CEO or the Board to consider in deciding which alternative should be selected. In addition, the reporting of the Ethics Committee should whenever possible, include specific recommendations concerning actions to be taken to deal with any underlying issues that contributed to the development of an ethical problem and steps to be taken to avoid similar problems in the future. The ultimate decision about what remedial, disciplinary, or punitive action should be taken shall remain a decision to be made by the CEO or the Board, after consultation with the USOC

General Counsel or other legal counsel. The CEO or the Board shall consider the Ethics Committee recommendations and views very carefully before making any final decision.

The Ethics Committee needs to be efficient, professional, and responsive. To achieve these goals the committee should be reduced to five members (subject to review by the Board over time, to determine if additional members are necessary), and a majority of the committee members should have special background and expertise with respect to ethics, issues of ethical behavior, or organizational and corporate ethics programs and policies. Advance review of potential conflicts of interest and other background issues must be conducted before the members of the Ethics Committee are selected, and avoidance of potential conflicts of interest and close personal and business relationships between members of the Ethics Committee and other USOC personnel that might adversely affect the performance of the Ethics Committee must be a paramount consideration in the selection of the members of the committee. In order to fulfill these objectives, the members of the Ethics Committee should be individuals of the highest ethical character and background. The committee as a whole must be constituted so as to permit the committee to take decisive action with respect to ethics issues, without any reasonable perception that personal or business relationships are likely to influence the conduct, reports and recommendations, or performance of the committee.

At the same time, the Ethics Committee reports to the Board on procedural matters and must comply with USOC policies, including legal policies. The Ethics Committee must be responsive to the needs of the Board and provide written and oral reports and recommendations on a timely basis, both when the Ethics Committee believes there are issues the Board should address and when the Board requests them. In addition, the Ethics Committee should have one or more representatives attend the Board meetings wherever requested by the Board, to keep the Board fully apprised of the USOC's overall ethics program and specific areas of concern. The Ethics Committee must be independent and have the freedom to investigate ethical issues and to make recommendations to the CEO and the Board on matters that confront the Ethics Committee. Decisions concerning how the Ethics Committee shall report to the Board shall be made by the Chair of the Board, subject to review by the entire Board.

5. Ethical Conduct of the Business of the Board and Management

As explained above, many of the problems currently faced by the USOC and much of the damage suffered recently by the United States Olympic movement, including the loss of public confidence and esteem, can be attributed to ethical problems at the highest levels of the USOC. Leaders of an organization like the USOC must set the example, whenever in doubt erring on the side of extreme ethical behavior. Ethical lapses or a perceived lack of sensitivity or commitment to ethical issues by the leaders of an organization often send a message down through the ranks that ethical policies and organizational practices are not in harmony. Unethical cultures are created by leaders of organizations, not by low level employees.

When the public becomes aware that the leadership of an organization has been engaged in unethical behavior, the image and reputation of that organization can suffer immediately. Leaders of an organization are perceived to be the embodiment of that organization, and an organization with corrupt leadership is perceived to be corrupt. In addition, others in the

organization take their lead from the directors and top management, and behavior acceptable for the leaders is often perceived as a statement that such behavior is generally accepted by the organization. Leaders will have difficulty taking decisive steps to enforce ethical principles and practices if they and those who they seek to discipline are aware that the leaders have engaged in the same or similar behavior in the past.

One primary area of concern about USOC leadership is conflicts of interest. The constituent-based system of representation made certain conflicts of interest part of the fabric of the organization. For example, on a regular basis, representatives of organizations voted on issues such as questions of compliance by their organizations and the extent to which their organizations would receive the benefit of the scarce resources of the USOC. Similarly, the United States IOC members routinely voted concerning issues related to the relationship and negotiations between the USOC and the IOC, despite their conflicting loyalties to the two organizations. In addition, there have been widely-expressed concerns that individuals living in or associated with a bid city were involved in USOC decision making concerning which bid city should be nominated by the USOC. Those types of perceptions indicate that the appearance of impropriety is not being avoided. It is the strongly held view of the Task Force that the Board must set the tone for the organization and the entire Olympic family. At the same time, the CEO must set the tone for the management and staff of the organization. Board members should be excused and shielded from discussions in which confidential information is disclosed if they have a conflict related to the information being provided (for example, if it concerns the IOC and they are IOC members). Board members should abstain from voting about issues with respect to which they have a conflict of interest or they should take other corrective action that has been reviewed by the Ethics Committee and approved by the Board after full and complete disclosure of the ethical concern.

The Task Force does not mean to suggest that athlete members should not vote on any issue that affects athletes generally. The entire strategic planning process and budgeting of the USOC affects athletes and is intended to do so, yet the Task Force does not believe that creates a conflict requiring abstention or recusal. Common sense and good judgment must be utilized. However, individuals should not balance and resolve ethical concerns on their own. Ethical concerns and potential conflicts should be disclosed fully and considered and resolved by the processes approved by the Board in ways that demonstrate judgment and complete commitment to USOC policies, the Olympic ideals, and ethical behavior.

6. Ethical Behavior by NGBs

As explained above, the Task Force recommends that the same principles and policies of ethical behavior should be applied by the NGBs. National governing bodies are the organizations to which the USOC delegates some of its responsibility for the development and selection of athletes for the Olympic and Paralympic Games and other top-level international sports competitions. When an individual associated with an Olympic NGB is involved in a public issue concerning allegations of unethical behavior, the public and the international sports community sees the word "Olympic" and assigns responsibility to the USOC. Congress and the American people hold the USOC accountable to deal with such issues, and as explained above the only way to deal with them properly is to (a) establish proper ethics policies and practices, (b) ensure that the organizational culture accepts and embraces, rather than ignores or pays lip

service to the policies, (c) identify potential ethics issues before they occur and deal with them immediately, effectively, and consistently, to prevent true ethics problems from developing.

The CEO and Board need to develop a program for confirming that the most successful NGBs are engaged in best practices in the ethics area and that the other NGBs understand the urgency and the requirement that they comply in these areas, and make steady and immediate progress to improve their operations and policies. The USOC Board needs to set policy in this area, to guide the CEO and the NGBs and minimize the disruption and controversy yielded by that effort. It must be done to protect the value of the Olympic marks, to support United States athletes properly, and to create the proper environment in which the USOC Mission can be achieved.

D. OTHER POLICIES

Summary of Recommendations

Protection of Confidential and Proprietary Information

- There is a need for the USOC's operations and policies to be as transparent as possible. At the same time, the USOC operates a major sports and entertainment business and there is a need to protect the confidential and proprietary nature of many of its documents and agreements.
- The protection of confidential information will be much easier once the number of Board and committee members is decreased and once the constituent-based nature of USOC governance is eliminated.
- Clear policies concerning confidential and proprietary information should be adopted and implemented by the Board and enforced by the CEO and the Board.
- There should be transparency concerning as many issues as possible, including financial performance, strategic plans that do not have confidential components, and governance of the USOC.
- Disclosure should be made by the USOC as directed by the CEO, in compliance with policies established by the Board, through a professional "single voice" approach, as discussed below.
- All USOC personnel, including Board and committee members and employees, should be advised about the protection of confidential information and be required to acknowledge their fiduciary and confidentiality obligations to the USOC by executing annual non-disclosure agreements.

Transparency

- The operations and policies of the USOC should be maintained in as open a manner as possible.
- The USOC should be responsive to the American public, the United States Congress, and all members of the Olympic family, particularly the athletes and NGBs.
- Information is needed for the public to assess the USOC and understand its objectives and conduct, and awareness is needed to keep all American informed about the achievements of United States athletes.

- The Olympic Assembly is an important part of the increased transparency of the USOC, as it is designed specifically to facilitate communication and reporting by the various groups within the USOC.
- It should be easier to identify the information available to be communicated to the Olympic family and the public with a streamlined Board, fewer committees, and a CEO responsible for all operations of the USOC.
- The transparency of the USOC should be current, public, and sufficient, and the Board and the CEO should seek to achieve the maximum level of transparency, while maintaining appropriate respect for confidential and proprietary information.

Communications

- The USOC should enforce a clear “one voice” strategy for the organization.
- The CEO should be responsible for communications from the USOC.
- The Chair of the Board can respond or issue communications in special, limited circumstances, as provided by the Board.
- Board members, committee member, and employees who are not specifically authorized and directed by the CEO should not speak to outsiders or the media about USOC business.
- The “one voice” policy is not intended to restrict the amount of information communicated, but rather to direct it through the proper channels to avoid confusion, and miscommunication.

Recommendations

1. Protection of Confidential and Proprietary Information

Another aspect of Acting President William Martin’s charge to the Task Force was to examine USOC policies with respect to safeguarding confidential and proprietary information and preventing unauthorized disclosure of such information. The reason this issue was part of the Task Force’s charge was the organization’s complete inability to prevent confidential information of the USOC from being disclosed to the media and others and to prevent people associated with the USOC from using the organization’s confidential information to further and advance their own interests, often at the expense of the USOC.

The Task Force approached this issue with tremendous sensitivity for the need for the USOC’s operations and policies to be as transparent as possible, both to the members of the Olympic family and to the American public as well. At the same time, the USOC operates a major sports and entertainment business that is involved in negotiation of television agreements, sponsorship, licensing, and other marketing agreements, agreements with consultants and advisors, and agreements with many others who provide business and services to the USOC. The need to protect the proprietary and confidential nature of these agreements is substantial. In addition, the USOC receives confidential information from national governing bodies, others in the Olympic family, and others, and has a need to maintain the confidentiality of that information or such organizations will be unwilling to provide necessary disclosures to the USOC in the future.

As a starting point for analysis, the Task Force reviewed and compared the best practices of leading for-profit and not-for-profit organizations with the current USOC policies. The Task Force members drew upon their own knowledge of the USOC and discussed these issues with others in the Olympic family to attempt to identify the source of the problems and to address them.

One of the major contributing problems in this area again involves the current USOC structure. With more than 120 Board members and 192 committee members in addition to the USOC employees, sensitive confidential and proprietary information is often disseminated too widely for there to be any hope of maintaining its confidential status. In addition, as the members of the Board and the committees are generally drawn from constituent groups, dissemination of information to certain of those people can lead to distribution to the constituent groups. As the Board members and committee members are volunteers and because the wide initial dissemination makes it very difficult to identify the source of an improper disclosure, individuals distribute confidential information to the media on a regular basis to block programs with which they do not agree, to further their own political agendas, to discredit others, in an effort to curry favor and future favorable treatment from the media, and for other improper purposes, and sometimes they disclose it just because they are not careful.

As first matter, the Task Force believes that protection of confidential information will be much easier once two of the Task Force's reforms are implemented: (1) reducing dramatically the number of Board and committee members, thereby eliminating the wide dissemination of information that should be maintained as confidential, and (2) dramatically altering the constituent-based character of the organization, in ways that focus USOC Board members on achieving the goals of the USOC and reduce the pressures to disseminate confidential information to various constituent groups.

Second, the Task Force believes that clear policies concerning confidential and proprietary information must be adopted and implemented by the Board and enforced by the CEO and the Board.

Third, as explained in a subsequent section of this report, there should be transparency concerning as many issues as possible, such as financial performance, strategic plans that do not have confidential components, and the governance of the organization. Information about successes and failures of the USOC and other members of the Olympic family should be circulated and discussed as part of the Olympic Assembly and outside that forum, in order to bring the organizations together in ways that will benefit all the organizations that are involved and improve the USOC's performance directed at achieving the Mission. However, disclosure of information should be made professionally and in ways that will advance the image and reputation of the USOC as a well-run organization worthy of financial contributions, sponsorship, and general support.

Fourth, disclosure should be made by the USOC as directed by the CEO, in compliance with policies established by the Board, through a professional "single voice" approach communication policy discussed elsewhere in this report. USOC Board members, committee members, and employees should discuss information with people outside the organization

consistent with directions and policies communicated by the CEO, with confidential and proprietary information identified as such and discussed with or provided to people outside the USOC only on a “need to know” basis.

USOC personnel must be advised about the protection of confidential information and sensitized to the ways in which disclosure of such information can cause the organization irreparable damage. USOC personnel should be made aware that inadvertent disclosures that can damage an organization often occur in casual conversations. They should be advised as to what individuals outside their normal line of command are permitted to request information directly from them, what types of information they are permitted to reveal as opposed to directing the individual to contact someone else associated with the USOC, and what information must be safeguarded.

All USOC personnel, including Board and committee members and employees, must be required to acknowledge their fiduciary and confidentiality obligations to the USOC by executing annual non-disclosure agreements after attending a confidentiality education session, and like execution of Potential Conflicts of Interest forms. The execution of non-disclosure forms should be a pre-condition of initial service or continued involvement in USOC business. Violation of non-disclosure obligations should be a disciplinary matter, handled as a violation of the Code of Ethics.

It is important to conduct this program with a commitment to the concept that the goal of best practices in this area, like other areas, is not to create a culture or climate of oversight, enforcement, and punishment. Rather, the goal is to change the current culture of the USOC, to convince those involved of the organization’s true commitment to these policies, to educate them completely about the policies, to make compliance with the policies a routine aspect of day-to-day business, and to create a culture of compliance and good business practices, in order that violations do not occur.

Some specific Task Force observations concerning the issue of confidentiality and the USOC policies include:

- Potentially confidential, proprietary, or sensitive information should be discussed with others on a “need to know” basis;
- Disclosure outside the USOC should only be done with the knowledge and approval of the CEO;
- Everyone must be careful because inadvertent disclosures often occur in casual conversation;
- Violation of confidentiality policies and rules becomes a basis for an ethics violation;

- Efforts should be made to label or identify orally whenever confidential, proprietary, or sensitive information is communicated, to make those receiving such information aware of their obligation to safeguard such information; and
- The CEO and Board must lead a culture of sensitivity to the importance of maintaining confidential information as confidential.

2. Transparency

The Task Force was also charged with responsibility for focusing on the extent to which the USOC can and should conduct its operations in an open or “transparent” manner. In connection with his portion of the Task Force’s activities, the starting point was again the past problems that have plagued the USOC. The USOC has been the subject of criticism from sponsors, the United States Congress, and others, both inside and outside the USOC, for the organization’s lack of openness and reporting on its activities.

The Task Force was unanimous in its conclusion that the operations and policies of the USOC should be maintained in as open a manner as is possible. The USOC must be responsive to the American public, the United States Congress, all the members of the Olympic family, and particularly the athletes and NGBs that the Task Force has identified as the primary stakeholders in the operations of the USOC. The USOC should make available in a professional manner, including on its website and through appropriate mailings and other communications, useful information on virtually all aspects of USOC operations, including information about USOC policies; fundraising efforts; the success of sponsorship, licensing, and marketing efforts; overall financial performance; funding of athletes, NGBs, and other organizations; non-financial results achieved (e.g., performance in Olympic events and in events that are part of the pipeline leading to sustained competitive excellence); progress toward achieving the USOC Mission; and other topics of interest to those inside and outside the Olympic family.

While the Task Force is hesitant to appear to be blaming all USOC problems on the organization’s structure, in the area of transparency it is again a major culprit. With a massive Board, a large Executive committee, and more than twenty other committees conducting the business of the USOC, it has been difficult to keep track of everything the organization is doing to try to make it transparent.

The Task Force views the obligation of transparency to run both to the American public and the Olympic family. The American public needs information to permit the public to assess the organization and understand its objectives, policies, and conduct. In addition, as one part of the USOC Mission is to inspire all Americans, a better understanding of the Olympic program and the organization charged with exclusive jurisdiction for United States participation in the Olympics will facilitate that inspirational objective. Keeping all Americans informed about the athletes who are achieving competitive success and overcoming obstacles on a daily basis while representing the United States is an essential part of that same inspirational effort and requires the USOC to be the source of that information. Beyond the general need for increased awareness and access to combat any suggestion of being elite or non-responsive to the American public, there is an even greater need to communicate with the Olympic family, because the athletes and

organizations associated with the Olympic movement in the United States need information about the course being planned and pursued by the USOC to coordinate their activities and efforts so they will be in harmony with the overall effort.

The Olympic Assembly is an important part of the increased transparency of the USOC. The Olympic Assembly is an organization and an annual event within the Olympic family designed specifically to facilitate communication and reporting, both by the USOC, its Board, its CEO, and its senior management to the Assembly, and by the three councils (AAC, NGB Council, and new Multi-Sport Organization Council) and the organizations within the assembly among themselves and with the CEO, Board, and others working for the USOC. The Olympic Assembly and the annual meetings of that body should be dynamic sessions designed by the Board with the consultation of the CEO to provide and circulate information, ideas, and direction, and to receive reactions, feedback, and ideas from the organizations and individuals participating in the Olympic Assembly. One major goal of the Olympic Assembly is to establish trust and cooperation and a positive working relationship with the stakeholders in the USOC and coordinated efforts to achieve the USOC Mission and advance the interests of the USOC.

Beyond the Olympic Assembly, with a streamlined Board, fewer committees, and a CEO responsible for all operations of the USOC, it should be much easier to identify all the information available to be communicated to the Olympic family and the public. Transparency and public reporting should be considered a major, important, ongoing obligation of the organization and the Board must hold the CEO accountable for achieving that transparency, while securing confidential, proprietary, and sensitive information that could damage the USOC if released. Transparency should be a policy of the Board, to be implemented by the Board with respect to its meetings and its policies and other matters within its control, and by the CEO subject to review by the Board for compliance with the Board policies.

The Task Force emphasizes that the transparency of the USOC should be current, public, and sufficient, and the Board and CEO should seek to achieve the maximum possible level of transparency. The organization's website and other means of efficient posting and dissemination of information in ways that reach not just a distribution list or the immediate Olympic family representatives, but the overall Olympic family and the American public should be pursued. The Task Force does not view the obligation of protecting confidential information and the need for providing transparency as conflicting or mutually exclusive. Rather, the issue of transparency is one of management of information flow, and the Task Force is suggesting that the USOC should more actively manage the flow of information to ensure that appropriate information is conveyed at appropriate times to the appropriate individuals.

3. Communications

The Task Force was charged with examining the USOC policies and practices with respect to communication with outside parties. The starting point for the Task Force was best practices communication policies of other organizations. The present USOC policies and procedures create confusion, by failing to identify "one voice," one person responsible for communication by the organization. The Task Force believes that the USOC is interfering with its ability to achieve its Mission and disrupting the proper functioning of the organization by failing to enforce a clear "one voice" strategy for the organization.

One other problem identified by the Task Force again relates to the members of the current Board and Executive Committee having responsibility for representing other organizations. Therefore, a member of the USOC Executive Committee may be asked about an issue because the Executive Committee member is an officer of an NGB, yet the article including the quote may identify the person as a member of the USOC Executive Committee. Many USOC Board members have other representative positions with other organizations, thereby creating substantial confusion about who is speaking for the USOC.

The CEO should speak for the USOC. As the person responsible for the organization, the CEO may cause that communication to occur in whatever manner the CEO believes best advances the organization's Mission, including through delegation to the historically very competent USOC media staff, but such communication by the CEO or his or her designee shall be subject to policies set by the Board. In the limited case of decisions or policies to be issued specifically by the Board, issues concerning the Board's performance or the Board's oversight of the organization, the Chair may either issue a communication or may delegate to the CEO responsibility for issuing the communication. Situations in which the Chair needs to speak as the representative of the USOC should be limited to those special circumstances described above.

Board members, committee members, and employees who are not specifically authorized and directed by the CEO should not speak to outsiders or the media about USOC business. This is not intended to restrict the amount of information communicated, just to direct it through the proper channel to avoid confusion, miscommunication, and an appearance of a lack of professionalism. The USOC policies with respect to communication with outside parties should be clear and should be enforced, with written agreement to adhere to the policies being a pre-condition to service and adherence to the policies being a condition of continuing to work with or for the USOC.

The Task Force recommends that the USOC create and implement a "one voice" strategy:

- The CEO should be responsible for communications from the USOC;
- The Chair can also respond or issue communications in special, limited circumstances, as provided by the Board;
- Board members, committee members, Olympic Assembly members, and USOC employees should not speak to the media about USOC business; and
- No other communications with the media or other outside parties should occur concerning USOC business except as directed by the CEO.

V. CONCLUSION

The Amateur Sports Act of 1978 mandated fundamental changes in the structure and governance of the USOC. Over the past twenty-five years the organization has grown and evolved. During those years, the international athletic landscape where the USOC conducts its

business and its athletes compete has changed dramatically. Similarly, the sports and entertainment marketplace where the USOC competes has perhaps changed even more dramatically. Throughout this period of dramatic change, the USOC has tried to fulfill all of the purposes specified in the Act and has tried to modify and adjust its structure within that framework to continue to improve its performance. In the past, groups commissioned to recommend changes have identified problems and possible remedies, but there has never before been a consensus that major change is absolutely essential.

The Task Force believes that fundamental changes are necessary and that the organization must act decisively and immediately to approve and implement the necessary changes. In order to make the USOC an efficient, productive, successful organization its Mission must be clarified, its governance structure must be overhauled, and responsibility and lines of authority must be clarified. In addition, the USOC has devolved into a culture that is not living up to the nominal commitment to ethical behavior and the Olympic ideals specified in the organization's Mission and its Code of Ethics. Major change and public change is necessary with respect to issues of ethics and the Olympic ideals, because recent events concerning the organization have damaged its image and public perception, and have interfered and will continue to interfere with the USOC's Mission to inspire all Americans. Only by public acknowledgment of the need to make ethics changes and by following through and implementing the changes vigorously can the USOC hope to communicate to the public and the Olympic family that these changes are not window dressing followed by back to business as usual, but rather are the beginning of a new era of education, compliance, and enforcement.

It is essential that the organization adopt up-to-date best practices in all areas, and eliminate the vestiges of a system dominated by politics and constituent-based decisionmaking. It is important that these changes be made voluntarily, with enthusiasm, by the Olympic family, and that all effort be committed to making these reforms work. The new Board and the rest of the organization must remain diligent, to ensure that these reforms, once made, are not diluted, and that the organization does not drift back toward the bloated governance problems that have plagued the organization for the past many years.

United States athletes have achieved great successes in the past, and it is important to remain focused on the USOC's Mission to help even more United States athletes achieve even greater success in the future. When all USOC decisions are considered and evaluated with that mission in mind, while adhering to the highest standards of ethical behavior, everyone involved in or associated with the Olympic movement in the United States will benefit.



APPENDIX I

Information Concerning the Members of the USOC Governance and Ethics Task Force



MEMBERS OF THE USOC GOVERNANCE & ETHICS TASK FORCE AND ITS EXPERTS

I. Task Force Members

Frank Marshall (Co-Chair): Frank Marshall is an Academy Award nominated producer located in Los Angeles, California. He serves on the Board of Directors of the L. A. Sports Council and is currently Vice President-Treasurer of the USOC after having served for eight years as a Public Sector member.

Bill Stapleton (Co-Chair): Bill Stapleton is the founder of Capital Sports & Entertainment, an Austin-based sports and music management and event production company. He was a member of the 1988 US Olympic Swimming Team. He served as a member of the Athletes' Advisory Council, and then as its Chairman, before being elected as a Vice President of the USOC in 2000.

Gwendolyn Baker: Gwendolyn Calvert Baker is president of Calvert Baker & Associates, Inc., an educational consulting firm specializing in global education. Gwen is the immediate past president and chief executive officer of the United States Committee for UNICEF. She has served as the CEO of the YWCA of the USA. She was a member of the New York City Board of Education serving as president for a one-year term. Gwen has served as a public sector member of the USOC Board of Directors since 1996. She became affiliated with the USOC when the YWCA was accepted as a member of the USOC in 1984.

Robert Balk: Bob is a Manager of venture capital investments for The Boeing Company's Phantom Works division. He is the Winter Paralympic representative to the USOC Athlete Advisory Council. Bob has earned six Paralympic medals as a five-time Paralympic athlete competing in both the summer and winter games in the sports of Pentathlon and Cross Country skiing.

Fraser Bullock: Fraser Bullock is Managing Director of Sorenson Capital, a private equity firm. Mr. Bullock served as Chief Operating Officer and Chief Financial Officer of the Salt Lake Organizing Committee for the 2002 Olympic Winter Games held in Salt Lake City. Mr. Bullock had no prior relationship with the USOC.

Christopher Duplanty: Chris is a three-time Olympian in the sport of water polo. (1988, 1992, 1996) winning a silver medal in 1988. He was the assistant coach in 2000 Olympic Games with the Woman's Water Polo Team which won a silver medal. Chris has served as an athlete representative to the Athletes Advisory Council since 1997 and currently serves as a Vice-Chair of the Athletes Advisory Council.

Gordon Gund: Gordon Gund is Chairman & CEO of Gund Investment Corporation, Princeton, New Jersey. He is principal owner of the Cleveland Cavaliers/Rockers and Gund Arena Company. He is a long time director of the Kellogg Company and of Corning, Inc. In 2001 he

became a member of the USOC's Board of Directors as a representative from the public sector. Mr. Gund had no prior relationship with the USOC.

Cameron Myler: Cameron Myler is a four-time Olympian in the sport of luge (1988, 1992, 1994 and 1998) and holds the highest finish ever for an American woman at the Olympic Games in the sport. Ms. Myler was a member of the U.S. Luge Association's Executive Board from 1993-2001, and served as Vice President from 1998-2001. She has served as a member of the USOC Athletes' Advisory Council and the USOC Board of Directors since 1996. Ms. Myler is an attorney practicing intellectual property litigation in New York City.

James McCarthy: Former Chairman of the United States Ski and Snowboard Association (USSA) the USOC recognized National Governing Body for skiing and snowboarding, he has held virtually every position within USSA including acting as the organization's interim Chief Executive Officer. During his tenure with USSA he had the opportunity to play a leadership role in streamlining and restructuring the governance structure of the organization. Currently, he is the USSA representative on the USOC Board and is one of the NGB Council members of the Executive Committee. Mr. McCarthy is an attorney in private practice in Chicago, Illinois.

Lisa Voight: Lisa Voight served as the first Chief Executive Officer of USA Cycling from 1995-2002. She led the acquisitions of professional bicycle racing and BMX racing and oversaw the corporate merger and governance restructuring of USA Cycling. In 1995, she became a member of the USOC Board of Directors as a representative of the National Governing Body Council and was elected in 2000 by the NGBC to serve on the USOC's Executive Committee. She has also served on a number of Union Cycliste Internationale (UCI) committees and is currently the CEO of the International World Games Association.

II. Outside Experts

John Carver: Dr. Carver is a governance theorist and consultant working internationally. He is author of five books and 180 articles on the subject and adjunct professor at both the Schulich School of Business (York University, Toronto) and the University of Georgia. The task force retained Dr. Carver as expert in board process and structure. Dr. Carver had no prior relationship with the USOC.

George Cohen: Senior Member of Bredhoff & Kaiser, a Washington, D.C. labor law firm with a national practice representing private and public sector labor unions. Mr. Cohen is also an Adjunct Professor at Georgetown Law School where he currently teaches *Labor Law in the Professional Sports Industry*. Mr. Cohen is Union Co-Chair of the Sports and Entertainment Law Committee of the Labor Law Section, American Bar Association. Mr. Cohen has tremendous background and experience over the past thirty years dealing with issues related to the sports and entertainment industries and the operation and governance of organizations in those industries.

Malham Wakin: Brig. General Malham M. Wakin, USAF Retired, is Professor Emeritus at the United States Air Force Academy. He was Professor and Head of the Academy's Philosophy Dept., Chairman of the Humanities Division, and Associate Dean, serving the Academy from 1959 to the present. He developed and taught ethics courses for 44 years. He was appointed to

the USOC Ethics Oversight Committee in 1991 and continues in that capacity. He has no other connection to the USOC.

APPENDIX II

**Powerpoint Presentation of Initial Recommendations of the USOC Governance
and Ethics Task Force (as revised) presented to the USOC Board of Directors in
Fort Worth, Texas on Sunday, April 13, 2003**

USOC Governance and Ethics

Task Force

Initial Recommendations

April 12, 2003

Task Force Process

- Review of background materials
 - Corporate governance best practices
 - Ethics policies and procedures
 - USOC Constitution and Bylaws
 - PCOS, Steinbrenner, and McKinsey Reports
 - Ted Stevens Olympic and Amateur Sports Act
 - IOC Charter; other National Olympic Committee structures
 - Recent Congressional testimony
 - Prior Governance Commission feedback
- Held 3 meetings and exchanged documents to develop initial recs.
- Provided dedicated email box for Olympic family input
- Review proposals, and hold roundtables with Executive Committee and Board of Directors (April 11 and 12)
- Develop final recommendations
- Interface with Senate-chartered committee - continual
- Board vote on final recommendations (Late summer/early fall)

Fundamental Governance Issues

- Focus and mission
- Independent judgment
- Transparency
- Structure
- Accountability

Current Mission Statement

- Lead the world's best National Olympic Committee: Help U.S. Olympic athletes achieve sustained competitive excellence while inspiring all Americans and preserving the Olympic ideal.

The Mission Statement

Task Force Recommendations

Help U.S. Olympic and Paralympic athletes achieve sustained competitive excellence and thereby inspire all Americans, and preserve the Olympic ideals.

Key Implementation Elements:

- Partner with NGBs and PSOs
- Protect and Enhance the Brand
- Generate Revenues
- Interface with the IOC
- Provide Governance

Defined Objectives to Accomplish the Mission

Task Force Recommendations

- *Help US Athletes achieve sustained competitive excellence in Olympic and Paralympic competition*
 - Performance objectives:
 - Lead medal count in every Olympic Games
 - Ensure a continuous athlete pipeline for future achievement
 - High level performance at elite developmental events
 - Lead medal count in the Paralympic Games and ensure high level performance at elite Paralympic developmental events
- *Inspire all Americans and preserve the Olympic ideals*
 - Performance objectives:
 - Actively work to ensure the highest standards of integrity and diversity
 - Improve perception and awareness of USA team members, their stories, and the values and ideals of the Olympic movement

Mission - Implementation

Task Force Recommendations

Partner with NGB's and PSO's:

Obtain for the United States, directly or by delegation to the appropriate NGB or PSO, the most competent representation possible in each event of the Olympic and Paralympic Games through:

- Partnering with the NGBs and PSOs; and
- Providing select resources to NGBs and PSOs.

There is no requirement, and no expectation, for funding and programming to be equal or in parity between Olympic and Paralympic sports, just as there is not parity among Olympic sports. Olympic sports shall continue to be the first priority.

Mission - Implementation **Task Force Recommendations**

Protect and Enhance the Brand

Generate Revenues

Generate revenues to support the Olympic and Paralympic movements

Mission-Implementation

Task Force Recommendations

Interface with the IOC

Interface with the IOC, IPC, and other international organizations, focusing on:

- developing long-term relationships with the IOC, IPC, and international organization members and staff;
- selecting and supporting United States bid cities; and
- ensuring the interests of the USOC are fairly represented.

Mission - Implementation

Task Force Recommendations

Provide Governance by:

- exercising exclusive jurisdiction, directly or through constituent members or committees, over-
 - All matters pertaining to United States participation in the Olympic and Paralympic Games, including representation of the United States in the games; and
 - The organization of the Olympic and Paralympic Games when held in the United States
- providing swift resolution of conflicts
- taking steps necessary to enter teams or athletes or authorize their participation in other selected international athletic competitions and provide additional support as management deems crucial in fulfilling the overall USOC mission of success in the Olympic and Paralympic Games

Pan American Games

Task Force Recommendations

- The Pan American Games are important for USOC international relations
- The Pan American Games are Olympic qualifying events for certain sports and are elite developmental events for certain sports
- Under this new mission statement, the USOC will continue to be responsible for the participation of the United States in the Pan American Games
- The USOC's commitment to Santa Domingo in 2003 and Rio in 2007 should continue unabated
- The USOC should continue to do whatever is necessary to permit United States athletes to enter and compete in the Pan American Games
- The USOC's future support of the Pan American Games should be based on the new Board's assessment of the relationship between support and achieving the USOC's primary mission

Governance

Task Force Recommendations

- Must align responsibility, authority and accountability
- Ultimately, one person must be held accountable to the Board for results
- Governance costs must be reduced

Assembly and Councils

Task Force Recommendations

- Olympic Assembly
 - Held annually in conjunction with Board meeting
 - Delegates from all constituencies in the Olympic family provide input to the Board on important issues in an advisory, not rulemaking capacity
 - Board sets the agenda in consultation with the CEO and provides information to the delegates on USOC functioning
- Athletes' Advisory and NGB Councils, and Community/Education-based organizations
 - Continue in form substantially like today
 - Athlete definition remains unchanged
 - Advisory in nature, except with respect to arbitration rules decisions by NGB Council and AAC

Board/CEO Roles

Task Force Recommendations

Board of Directors

- Sets the expectations and defines success
- Oversees the management of the USOC
- Develops policies and focuses on long-term objectives

Chief Executive Officer

- Empowered to lead and manage the USOC within Board policies and to meet Board expectations and definitions of success
- Ultimately held accountable for results

Board Duties

Task Force Recommendations

- Selects, compensates and evaluates the CEO and plans for management succession
- Sets expectations for the USOC's strategic plan and the annual operating plans, budget, and corporate performance
- Creates policy direction for management on significant issues facing the USOC and significant corporate actions
- Governs the financial reporting process and the legal and regulatory compliance program, and, upon the recommendation of the Audit Committee, selects independent auditors
- Communicates with relevant stakeholders

Board Duties

Task Force Recommendations

- Sets policy on capital structure, financial strategies, borrowing commitments, and long-range financial planning
- Monitors to determine whether the USOC's assets are being properly protected
- Ensures that the Board is properly structured and that management is prepared to act in case of an unforeseen corporate crisis

Board Make-Up

Task Force Recommendations

- Establish a Board with substantial number of Independent Directors and representation from athletes, NGBs and IOC
- There shall be 4 Board committees:
 - Audit,
 - Compensation,
 - Ethics (comprised of non-Board members), and
 - Nominating and Governance
- No Executive Committee
- CEO may establish task forces or working groups to provide advice in CEO's function as CEO determines necessary.
- Board leadership: 1 officer referred to as "Chair of the Board", with no CEO authority
- No member of USOC management a member of Board
- Any Board member, AAC, NGB Council, and CBO/EBO/Armed Forces Council can request items be placed on Board agenda

Board Composition

Task Force Recommendations

New Board composition: **9** total members

- **4** Independent Directors,
- **2** individuals selected from among individuals nominated by NGBs,
- **2** individuals selected from among individuals nominated by AAC members, and
- **1** individual IOC member

Board Composition Issues

Task Force Observations

Task Force is attempting to achieve positive, effective organization structure in face of tension among various principles:

- Complying with IOC Charter
- Providing sufficient representation of IOC members on USOC Board of Directors
- Providing sufficient representation of United States sports organizations
- Providing sufficient Board focus on Olympic issues
- Providing sufficient number and percentage of “independent” directors

Board Operations

Task Force Recommendations

- Minimum of 4 meetings per year, one in conjunction with Assembly
- Staggered terms with variances for the initial implementation
- Term limit of one 6 year term (start-up phase of staggered terms) but Chair can be reelected to second term as Director
 - Initial Chair serves for 1 year and the Board determines term and term limits thereafter
 - If Director serves Board term for less than 4 years, can be reelected to Board for one full 6 year term
- No less than annual self-evaluations on performance by the Board and committees
- Board will hold not less than 2 sessions per year in executive session without CEO present, and at every meeting Board will have a session with the CEO and no other staff present.

Board Members' Qualities

Task Force Recommendations

- Nominating and Governance Committee will select a diverse Board with members who possess:
 - highest personal values,
 - judgment and integrity;
 - understanding of athletic competition and Olympic ideals; and
 - diverse experience in key business, financial, and other challenges that face USOC.
- The USOC shall seek board members with a high level of experience and capability in governance and board oversight responsibilities.

Board Operations-Independence

Task Force Recommendations

Not “Independent” if in past 2 years:

- Director or immediate family member employed by or held any position (whether a paid or volunteer position) with the USOC, a USOC-member sports governing body, the U.S. Olympic Foundation, the IOC, an OCOG, PASO, ANOC, or any Olympic family entity
- Director or immediate family member was affiliated with or employed by the USOC's outside auditor or outside counsel
- Director was member of Athletes' Advisory Council or NGB Council
- Director receives any compensation from the USOC, directly or indirectly
- Director is executive officer, controlling shareholder, or partner of corporation, partnership or other entity that does business with USOC

Nominating and Governance Committee

Task Force Recommendations

- Initial Committee consists of five individuals, one selected by each of the following groups:
 - Athletes' Advisory Council,
 - NGB Council,
 - USOC Public Sector directors,
 - Senate Independent Commission, and
 - Governance and Ethics Task Force.

Individuals selected by each group to serve on initial Committee shall meet definition of Independent Director

- Initial committee shall dissolve once Board selected and newly selected Board shall appoint a new Nominating and Governance Committee, 3 of whom shall be from the existing Board and 2 of whom shall be selected from among independent individuals not on the Board

Nominating and Governance Committee

Task Force Recommendations

- AAC and NGB Council nominate 3 individuals per spot on Board and Committee selects individuals for Board
- Committee selects among US IOC members
- Committee selects Independent Directors
- All Board members from NGB Council and AAC must resign positions within NGB Council, individual NGB, or AAC upon election to Board

Ethics

- We must exhibit the highest ethical standards in everything we do, avoiding the very appearance of impropriety.

Ethics

Task Force Recommendations

- Implement and enforce existing ethics policy
- Augment current education program
- Identify and avoid potential conflicts of interest
 - Continual education
 - Ongoing identification of potential issues
 - Adopt proactive, supportive culture instead of policing function
- Adopt more rigorous monitoring/compliance systems
 - Thorough reviews of reports
- Enforcement: rigorous and consistent
 - Avoid even the appearance of impropriety
- Ethics Officer reports to Board and Ethics Committee concerning ethics issues, and reports to CEO concerning all other issues
- Ethics Committee completely independent

Communication

Task Force Recommendations

Create a “one voice” strategy

- The designated spokesperson for the USOC should be the CEO or his/her designee
- The Chair can also respond in exceptional circumstances as provided by the Board
- Board members, committee members, Assembly members, and employees should not speak to the media about USOC business
- No other communications with media should occur concerning USOC business.

Confidential/Proprietary Information

Task Force Recommendations

Task Force recommendations:

- Discuss information with others only on a “need to know” basis
- Disclosure outside the USOC should only be done in conjunction with the CEO or his/her designee
- Be careful! – inadvertent disclosures often occur in casual conversations
- Board and committee members must acknowledge confidentiality obligation annually by executing non-disclosure agreements, which is condition of service
- Violation of confidentiality rules becomes basis for ethics violation
- Should be of less concern with smaller Board

Transparency

Task Force Recommendations

- Board should function with maximum possible level of transparency to establish trust with various relevant USOC stakeholders, particularly the Assembly.
- This transparency should be current, public, and sufficient.

Summary

- USOC should create Olympic Assembly to more effectively make use of members to provide feedback and input to Board and CEO, not to govern the organization
- USOC governance must dramatically diminish in size and expense.
- The organization must become Board governed and staff managed.
- The constituent-based, interest group culture must be broken.
- There must be a greater role for individuals without affiliation with specific constituent groups.
- The USOC's mission must be clarified to permit focus on Olympic and Paralympic sports; the USOC cannot continue to be all things to all people.
- The USOC must improve its systems for dealing with confidential and ethical matters while maintaining appropriate levels of transparency and accountability.

Next Steps

- We will take feedback from here and public meeting of the Independent Review Commission in April in NYC
- We will produce a final document to be presented to the Independent Review Commission and to Board in May or early June 2003
- Independent Review Commission will issue its report in June 2003
- We will prepare required organic documents amendments to address Task Force and Independent Review Commission reports in accordance with timeline in Constitution.
- Subsequent Board meeting probably in September or October will address any recommendations from the Task Force and the Independent Review Commission



APPENDIX III

Proposed Amendments to the Ted Stevens Olympic and Amateur Sports Act



PROPOSED AMENDMENTS TO THE TED STEVENS OLYMPIC AND AMATEUR SPORTS ACT

I. Amendments Concerning Mission

Section 220503 of the Act should be modified to read as follows:

§220503. Purposes

The purposes of the corporation are—

- ~~(1) to establish national goals for amateur athletic activities and encourage the attainment of those goals;~~
- ~~(2) to coordinate and develop amateur athletic activity in the United States, directly related to international amateur athletic competition, to foster productive working relationships among sports related organizations;~~
- ~~(3) to exercise exclusive jurisdiction, directly or through constituent members or committees, over—~~
 - (A) all matters pertaining to United States participation in the Olympic Games, the Paralympic Games, and the Pan American Games, including representation of the United States in the games; and
 - (B) the organization of the Olympic Games, the Paralympic Games, and the Pan American Games when held in the United States;
- (42) to obtain for the United States, directly or by delegation to the appropriate national governing body or paralympic sports organization, the most competent amateur representation possible in each event of the Olympic Games, the Paralympic Games, and Pan American Games;
- ~~(5) to promote and support amateur athletic activities involving the United States and foreign nations;~~
- ~~(6) to promote and encourage physical fitness and public participation in amateur athletic activities;~~
- ~~(7) to assist organizations and persons concerned with sports in the development of amateur athletic programs for amateur athletes;~~
- (83) to provide swift resolution of conflicts and disputes involving amateur athletes, national governing bodies, paralympic sports organizations, and amateur sports organizations, and protect the opportunity of any amateur athlete, coach, trainer, manager, administrator, or official to participate in amateur athletic competition;

~~(9) to foster the development of amateur athletic facilities for use by amateur athletes and assist in making existing amateur athletic facilities available for use by amateur athletes;~~

~~(10) to provide and coordinate technical information on physical training, equipment design, coaching, and performance analysis;~~

~~(11) to encourage and support research, development, and dissemination of information in the areas of sports medicine and sports safety;~~

~~(124) to encourage and provide assistance to amateur athletic activities for women;~~

(5) to encourage and provide assistance to amateur athletic programs and competition for amateur athletes with disabilities, including, where feasible, the expansion of opportunities for meaningful participation by such amateur athletes in programs of athletic competition for able-bodied amateur athletes; and

~~(136)~~ to encourage and provide assistance to amateur athletes of racial and ethnic minorities for the purpose of eliciting the participation of those minorities in amateur athletic activities in which they are underrepresented.

II. Amendments Concerning Governance and Board/CEO

A. Add a new Section 220504, and the current Section 220504 and those that follow shall be renumbered accordingly, as follows:

§ 220504 Board of Directors and Chief Executive Officer

(a) The board of directors is the exclusive governing body of the corporation.

(b) The board of directors shall consist of the following directors:

- (1) four independent directors;
- (2) two directors selected from among individuals nominated by the National Governing Bodies Council;
- (3) two directors selected from among individuals nominated by the Athletes' Advisory Committee; and
- (4) the International Olympic Committee member or members from the United States.

To be selected to the board, or to continue to serve on the board, individuals other than the International Olympic Committee member or members must be independent from other current affiliations with the corporation or its member organizations or entities. The board of directors shall define independence for these purposes.

- (c) All directors shall have one vote, except that if there are two or more International Olympic Committee members from the United States, then the International Olympic Committee members shall share one vote in equal proportions.
- (d) All directors shall serve for a term of 6 years, except that the International Olympic Committee member or members from the United States shall serve for as long as they are members of the International Olympic Committee. The terms of directors, except for International Olympic Committee members, shall be staggered. No director shall be eligible for reelection unless the director serves a term of less than 4 years and the Chair of the Board shall be eligible to be re-elected to a single 6 year term. All directors, except for the International Olympic Committee member or members from the United States, shall be divided into the following classes:
- (1) one independent director, one director from among the individuals nominated by the National Governing Bodies' Council and one director from among the individuals nominated by the Athletes' Advisory Council;
 - (2) two independent directors; and
 - (3) one independent director, one director from among the individuals nominated by the National Governing Bodies' Council and one director from among the individuals nominated by the Athletes' Advisory Council.

One class of directors shall be selected every two years, to take office in September or a reasonable time after the completion of the Olympic and Paralympic Games.

- (e) The board of directors is responsible for providing governance and setting the policies of the corporation. There shall be a single officer of the board known as Chair. The chair shall preside at all meetings of the corporation, and serve in such other roles as shall be provided by the board of directors. The board may appoint an individual to serve as secretary of the corporation from among the corporation's staff.
- (f) The corporation shall have a Chief Executive Officer, who shall not be a member of the board of directors. The Chief Executive Officer shall report to the board of directors. The Chief Executive Officer shall, either directly or by delegation, manage all staff functions and the day to day affairs of the corporation, including but not limited to relations with international organizations.

B. The following amendment to existing Section 220504 (which will become Section 220505) is required to allow the USOC to combine its constitution and bylaws into a single document, called the bylaws, and to permit the above-referenced board of directors composition:

- (b) **REQUIRED PROVISIONS FOR REPRESENTATION.**—In its ~~constitution and~~ bylaws, the corporation shall establish and maintain provisions with respect to its governance and the conduct of its affairs for reasonable representation of—

...

- (2) amateur athletes who are actively engaged in amateur athletic competition or who have represented the United States in international amateur athletic competition within the preceding 10 years, including through provisions which—

(A) establish and maintain an Athletes' Advisory Council composed of, and elected by, such amateur athletes to ensure communication between the corporation and such amateur athletes; and

(B) ensure that the ~~membership and~~ voting power held by such amateur athletes is not less than 20 percent of the ~~membership and~~ voting power held in the board of directors of the corporation and the membership and voting power is not less than 20 percent of the membership and voting power in the committees and entities of the corporation;

III. Other Reform-Related Amendments

A. A new rider, or other appropriate legislative vehicle, should be added stating as follows:

To the extent that the Omnibus Appropriations Act of 1998, enacted on October 21, 1998, required the corporation to submit a special report to Congress on the effectiveness of the provisions of chapter 2205 of title 36, United States Code, together with any additional proposed changes to that chapter the corporation determines are appropriate, that requirement is hereby amended to eliminate the requirement of the filing of a special report in 2003 and is amended to require the corporation to submit a special report to Congress on the effectiveness of the provisions of this chapter and any additional proposed changes to this chapter the corporation deems appropriate on or before two years after the date of enactment of this act.

B. All occurrences in the Act of the phrase "constitution and bylaws" and of the separate word "constitution" in the Act should be replaced with "bylaws." These occurrences may be found in the following Sections of the Act: 220504(a), 220504(b), 220505(a), 220505(c)(5), 220509(a), 220509(b), 220522(a)(4), 220529(c), 220529(d),

C. All references in the Act to the position of "executive director" should be replaced with "chief executive officer." These occurrences may be found in the following sections of the Act: 220509(b)(2)(A) and (B)

D. All references in the Act to the corporation's "executive committee" should be replaced with "board of directors." These occurrences may be found in the following Sections of the Act: 220509(b)(2)(B), 220522(a)(4)

E. Section 220522(a)(10) should be amended as follows:

(a) GENERAL. – An amateur sports organization is eligible to be recognized, or to continue to be recognized, as a national governing body only if it –

* * *

(10) demonstrates, based on guidelines approved by the corporation, the Athletes' Advisory Council, and the National Governing Bodies' Council, that its board of directors and such other governing boards and committees have established criteria and election procedures for and maintain among their voting members individuals who are actively engaged in amateur athletic competition in the sport for which recognition is sought or who have represented the United States in international amateur athletic competition within the preceding 10 years, that any exceptions to such guidelines by such organization have been approved by the corporation, and that the membership and voting power held by such individuals is not less than 20 percent of the membership and voting power held in its board of directors and such other governing boards and committees;

F. The following revisions to Section 220505(a):

a) CONSTITUTION AND BYLAWS.—The corporation shall adopt ~~a constitution and~~ bylaws. The corporation may amend its bylaws ~~constitution~~ only if the corporation—

(1) publishes, in its principal publication or on its website, a notice of the proposed amendment, including—

(A) the substantive terms of the amendment;

(B) the time and place of the corporation's regular meeting at which adoption of the amendment is to be decided; and

(C) a provision informing interested persons that they may submit materials as authorized in clause (2) of this subsection; and

(2) gives all interested persons an opportunity to submit written comments and information for at least 1560 days after publication of notice of the proposed amendment and before adoption of the amendment.

G. A new rider, section of the statute, or other appropriate legislative vehicle, should be added stating as follows:

The amendments to the act contained in this bill shall become effective and shall be implemented by the corporation no later than February 1, 2004.

APPENDIX IV
Proposed USOC Code of Ethics

PROPOSED USOC CODE OF ETHICS

Introduction

As the guardians of the Olympic Movement in the United States, and because we operate in the public spotlight, we are expected to conduct our affairs on a basis consistent with the great trust that has been placed in us. This requires our behavior to conform to the highest ethical principles. For these reasons, the USOC requires its volunteers and staff to conduct business with integrity, to maintain a standard of ethical conduct consistent with the regulations of all countries and jurisdictions in which the USOC conducts business and to be guided by the knowledge that we are guardians of the Olympic values, spirit, and ideals. Furthermore, because the appearance of impropriety can be just as damaging as actual impropriety, conduct which appears to be improper is also unacceptable. The Code of Ethics establishes minimum standards of acceptable conduct. The Code of Ethics should be read and complied with by every USOC employee as well as all USOC member organizations and all members of the USOC Board of Directors, USOC committees and task forces. Everyone associated with the operation of the USOC is required to comply with the following USOC Code of Ethics when representing or participating in USOC activities or events:

1. Conduct all dealings with honesty and fairness.
2. Respect the rights of all employees to fair treatment and equal opportunity, free from discrimination or harassment of any type.
3. Know, understand and comply with the laws, regulations, and codes of conduct governing the conduct of USOC business - both domestic and foreign.
4. Ensure that all transactions are handled honestly and recorded accurately.
5. Protect information that belongs to the USOC, our donors, sponsors, suppliers and fellow workers.
6. Avoid conflicts of interest, both real and perceived.
7. Never use USOC assets or information for personal gain.
8. Recognize that even the appearance of misconduct or impropriety can be very damaging to the reputation of the USOC and act accordingly.

Conflicts of Interest

These principles provide a framework of integrity for interactions with or on behalf of the USOC. However, given the unique makeup of the USOC family, more in depth questions may arise regarding conflicts of interest. For this reason the following guidance is provided:

The USOC defines a conflict of interest as any personal or financial relationship that could influence or be perceived to influence your objectivity when interacting with, representing or conducting business for, or on behalf of the USOC.

For example if (1) personal or financial interests exist with any person or concern with whom the USOC has a business or other relationship or a personal or financial relationship with someone who in turn has a business or personal relationship with a person, organization, or

entity with whom the USOC has a business interest, and (2) the other relationship or interest could influence or be perceived to influence the objectivity of your decisions, you must:

1. Disclose the interest to the USOC Ethics Officer, who shall have the authority to (a) approve the relationship, (b) identify areas of concern raised by the relationship and identify situations that should be avoided or precautions that should be taken to prevent the creation of an actual or apparent conflict, or (c) refer the matter to the Ethics Committee for further consideration. If the matter is determined to present a potential conflict of interest or the perception of a conflict, you are required to:

A. Excuse yourself from any formal or informal discussions related to the actual, perceived, or potential conflict between the USOC and the person or concern; and

B. Abstain from voting and/or from seeking to influence the vote on any matter related to the person or concern.

Hospitality and Gifts: The USOC prohibits the receipt or giving of personal gifts, except as provided for in this policy unless the items are of nominal value (less than \$50.00 retail value) such as coffee mugs, hats, pins, etc. The following personal hospitality and gifts shall be permitted:

- ❖ Gifts from relatives.
- ❖ Gifts from personal friends.
- ❖ Gifts from the USOC.
- ❖ Gifts provided as a result of the recipient's outside business or employment activities.
- ❖ Awards or prizes given to competitors in contests or events open to the public.
- ❖ Honorary degrees and other bona fide, non-monetary awards presented in recognition of service.
- ❖ Personal hospitality, food or refreshments offered other than as a part of a meal.

Hospitality (e.g., tours, event tickets, meals) provided to groups in conjunction with USOC board and committee meetings.

Inappropriate hospitality or gift giving between individuals can also create a conflict of interest.

The USOC defines inappropriate hospitality as the offering or receiving of accommodations, tours, event tickets, entertainment, meals or other similar personal benefits except as specifically provided for by applicable policies.

Similarly, the USOC prohibits the receipt or giving of personal gifts except for items of nominal value such as coffee mugs, hats, pins, etc. unless specifically provided for by applicable policies.

In the event that personal gifts and or hospitality are provided by individuals and/or organizations with present or prospective business relationships with the USOC and exceed nominal value, they must be disclosed, utilizing the USOC Gift Disclosure Form, to the USOC Ethics Officer who will determine the appropriate disposition of the item(s).

Questions regarding the application of the USOC's hospitality and gift policies must be addressed to the Ethics Officer.

Annual Certifications: The following people shall be required to deliver an annual disclosure certification to the Ethics Officer regarding compliance with the Code of Ethics:

- ❖ Members of the USOC's board of directors.
- ❖ Members of the Athletes Advisory Council.
- ❖ Members of the National Governing Bodies Council.
- ❖ Members of all committees and task forces of the USOC.
- ❖ Employees determined by the Ethics Officer to hold positions potentially subject to personal or financial conflicts of interest.

Training: Ethics Orientation training is required for all USOC hires and interns. Annual Ethics training is required for all USOC staff, members of the USOC Board of Directors, and all members of the USOC Committees and Task Forces.

USOC Staff Management: Management is responsible for ensuring compliance with this policy and the USOC Code of Ethics within their respective organizations.

IV. Enforcement

Each employee, volunteer, and member organization has the obligation not only to abide by the Code of Ethics, but also to report violations of the Code of Ethics when they become aware of them. The USOC will not tolerate any retaliation or threats of retaliation against anyone who, in good faith, reports a violation or suspected infringement.

Any person or member organization that violates or condones the violation of the Code of Ethics is subject to disciplinary measures, which may include termination of membership, employment, and expulsion from the board, committee, or task force. The Ethics Committee shall review all violations of the Code of Ethics and, if appropriate, recommend sanctions to the USOC Board of Directors (as to volunteers) or the Chief Executive Officer (as to staff).

USOC Ethics Officer: The USOC Ethics Officer is responsible for the management of the USOC Ethics and Compliance Program. The Ethics Officer reports to the Chief Executive Officer (CEO) for matters related to staff and to the Ethics Committee and the Chair of the USOC Board of Directors for matters related to volunteers, member organizations, and the CEO. Changes involving the Ethics Officer's position, role, responsibilities, or employment status require the concurrence of the USOC Board of Directors or the Ethics Committee.

This Code serves as a framework for ethical conduct but does not cover every situation. If you are unclear about the requirements of this code, please consult your supervisor or contact the Ethics Officer at the USOC as follows:

One Olympic Plaza
Colorado Springs, CO 80909
Telephone: 719/866-4111 (FAX: 719/866-4260)
Toll free telephone: 1/877-404-9935



Attachments:

USOC Gift Disclosure Form
Disclosure Form





APPENDIX V
Proposed USOC Gift Disclosure Form





PROPOSED USOC Gift Disclosure Form
(Effective 10/20/03)

Please complete this form immediately upon receipt of personal gifts¹ received in your capacity as an employee or representative of the USOC.

Name: _____ ☐ USOC Employee ☐ USOC Volunteer

USOC Staff or Volunteer Position: _____

Please describe the source of the gift (Name and relationship to the USOC) and under what circumstances it was received:

The value of the gift is estimated at \$ _____

Note: This is a good faith estimate based on retail value. If the value cannot reasonably be estimated or determined, so state.

Indicate below any matters pending or likely to arise in the future that might involve the donor:

Certification: I certify that this gift was not solicited.

SIGNATURE: _____

Send this completed form to: Ethics Officer
United States Olympic Committee
One Olympic Plaza
Colorado Springs, CO 80909-5760

¹ The USOC defines personal gifts as: Items of value provided by individuals and/or organizations with present or prospective business relationships with the USOC. Excluded from disclosure are promotional gifts of nominal value (less than \$50.00 retail value) such as coffee mugs, hats, pins, etc.

APPENDIX VI
Proposed Conflict Disclosure Form

UNITED STATES OLYMPIC COMMITTEE
MEMORANDUM

TO: USOC Employees, Members of the USOC Board of Directors and
USOC Committees, Other USOC Personnel

FROM: _____, Ethics Officer

SUBJECT: Potential Conflicts of Interests Disclosure

DATE: June _____, 2003

In order to ensure compliance with the USOC's Code of Ethics, the USOC Ethics Officer and the USOC Ethics Committee review potential conflicts of interest disclosure information on an ongoing basis to identify potential conflicts of interest. An important part of the ethics review process is review of annual disclosure forms submitted by all personnel involved with the USOC.

Enclosed please find the following information:

- 1) Potential Conflicts of Interest Disclosure Statement
- 2) Guidelines for Compliance with the USOC's Code of Ethics
- 3) USOC Code of Ethics

Please complete the Potential Conflicts of Interest Disclosure Statement. The Code of Ethics and the Guidelines for Compliance with the USOC's Code of Ethics are yours to keep. Please return all applicable forms in the envelope provided, no later than June _____, 2003, to _____, USOC Ethics Officer, as follows:

M _____
USOC Ethics Officer
U.S. Olympic Committee
One Olympic Plaza, #103
Colorado Springs, CO 80909
Tel: 719/575-_____
Fax: 719/575-_____

Information you provide on these forms will generally be kept confidential by the USOC Ethics Officer unless the information provided suggests a potential conflict of interest. The USOC Ethics Officer may share the information with the USOC Ethics Committee for its review and may share the information with others in the USOC as part of a process to ensure that any potential conflicts do not become apparent or actual conflicts of interest. If you have any questions, please feel free to call _____ at 719/575-_____.

USOC STAFF/BOARD/COMMITTEE MEMBER/OTHER PERSONNEL POTENTIAL CONFLICT OF INTEREST DISCLOSURE INSTRUCTIONS

INSTRUCTIONS: The USOC requires that its staff, Board and committee members, and other personnel recognize and avoid activities which involve, might appear to involve, or could result in an apparent or actual conflict of interest. A potential conflict of interest exists when the outside activities, relationships, or interests of USOC personnel may under certain circumstances interfere or may reasonably appear to interfere with or undermine their job responsibilities or the interests of the USOC.

Circumstances that could involve potential conflicts of interest include, but are not limited to, the following:

- **Outside professional or personal activities, relationships, or interests which:**
 - Involve acting as an agent, representative, or consultant to a business, person, municipality, or any other organization or entity whose interests may conflict or may reasonably appear to conflict with the interests of the USOC.
 - May interfere with the satisfactory performance of USOC work assignments.
 - Involve outside committees such as Bid City, NGB, IOC, NOC, and PASO that may potentially conflict with the interests of the USOC.
 - May lead to a perception that decisions may be made by USOC personnel for reasons other than the best interests of the USOC.
- **Professional or personal activities, relationships, or interests of members of your family or close personal friends or business associates that fall or may fall within the categories described in the first bullet point, above.**
- **Substantial personal or family financial interests in a potential or actual supplier or sponsor or other business that may be affected by USOC decisions. (*Privately-held businesses, 1% of issued and outstanding securities of corporations whose securities are traded publicly or any other business or financial interest that you believe might lead someone to be concerned that the interest might affect your judgment when you are involved in activities on behalf of the USOC.*) Ownership of mutual funds is excluded from disclosure.**
- **Soliciting or accepting gifts or gratuities of greater than nominal value not authorized by the USOC.**
- **Placement of business in, or favorable treatment of, a firm or organization owned or controlled by a volunteer, family member or personal friend or business associate, or in which such a person has a significant involvement or a firm or organization that employs another person associated with the USOC, family member or personal friend.**

USOC Board and Committee members, USOC staff and other USOC personnel who engage in or wish to engage in any of the outside activities or have such relationships or interests described above are not necessarily precluded from service or employment. However, mandatory disclosure (completion of the attached "Potential Conflicts of Interests or Activities Disclosure") is required to ensure that business decisions made on behalf of the USOC are protected from potential outside influence.

It is your responsibility to fully and completely disclose all facts, circumstances, activities, relationships, interests which could involve potential actual or perceived conflicts of interests. If you do not know whether certain interests might qualify as potential conflicts of interests, please err on the side of caution and disclose those activities, relationships, and interests on the attached Potential Conflicts of Interest Disclosure Statement.

I acknowledge that I have received the foregoing "USOC Staff/Board and Committee Member/Other Personnel Potential Conflicts of Interest Disclosure Instructions." I understand that I am required to fully and completely disclose any activities, interests, or relationships that may give rise to a potential conflict of interest, and will do so to the best of my ability.

I understand that every USOC employee, Board and Committee member, and other USOC personnel is required to comply with the foregoing instructions and the USOC Code of Ethics, and I understand that I have the obligation not only to abide by the USOC Code of Ethics, but also to report potential conflicts of interest and possible violations of the USOC Code of Ethics when I become aware of them.

When I have a concern about a possible violation of the USOC Code of Ethics, I will raise the concern to a USOC manager, corporation legal counsel, USOC auditor or the USOC Ethics Officer.

Signature_____

Date:_____

Print or type name here:_____

USOC STAFF/VOLUNTEER OUTSIDE INTEREST DISCLOSURE STATEMENT

You must complete this form in order for the USOC Ethics Officer to work with you to identify any personal or business activities, relationships or interests that conflicts could potentially influence or could be perceived to be business decisions you may make or may be involved in on behalf of the USOC.

NAME: MANAGER/COMMITTEE CHAIR _____	POSITION(S): _____
--	--------------------------------------

In the space below, and on any additional pages that are necessary, describe any and all specific activities, relationships, interests, or investments that fall or may fall within the categories described in the attached Potential Conflicts of Interest Disclosure Instructions and submit the completed form to appropriate management, NGB or committee for review and submission to the USOC Ethics Officer. The USOC Ethics Officer will complete the review.

**THE ACTIVITIES, RELATIONSHIPS, INTERESTS, AND INVESTMENTS THAT
THE USOC SHOULD BE AWARE OF, WHICH ARE DISCLOSED IN THIS
STATEMENT ARE:**

When potential actual or perceived conflicts are determined to exist, you will be notified and may be required to work with the USOC Ethics Officer and/or the USOC Ethics Committee to take specific actions to ensure the integrity of business decisions through disclosure, divestiture, recusal, screening, or other actions considered appropriate.

POTENTIAL CONFLICT OF INTEREST
Exist ☐

Does Exist ☐ Does Not

USOC Ethics Officer Signature

The following preventive or corrective actions are
required: _____



